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China Report

ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

COMMENTS ON NEW YORK CHUNG PAO'S REVIEW OF MA DING ARTICLE

Experts Discuss Review of Ma Ding Article

Beijing JINGJIXUE ZHOUBAO [ECONOMICS WEEKLY] in Chinese 13 Apr 86 p 1

[Article by reporter: "Economic Experts in Beijing Claim Writer of Review of Ma Ding's Article Published in the New York CHUNG PAO Has not Even Read the Original Article"]

[Text] One after another, economic experts and scholars in Beijing came forward with their comments following the publication in China of an article appearing in the New York CHUNG PAO criticizing an article written by Ma Ding [7456 0002]. They claimed that the author of the CHUNG PAO review had not even read the original article written by Ma Ding and that the only source on which the review was based was a report published in the Japanese MAINICHI SHIMBUN which stated that the Ma Ding article, having clearly faulted such classic Marxist writings as "Das Kapital" for "having lost their validity," advocated "the bold acceptance of such modern Western economic findings as those of Keynes." Since such words and ideas never even appeared in Ma Ding's article, the MAINICHI SHIMBUN report is not based on facts and is a serious distortion of Ma Ding's article.

The economic experts and scholars in Beijing pointed out that the New York CHUNG PAO was critical of the logic of Ma Ding who was reported to have expressed the view that since "Das Kapital" cannot provide "a ready answer" to contemporary problems, it had lost its "validity." In actual fact, this logic was fabricated by the New York CHUNG PAO itself since there was no such logical inference in Ma Ding's article.

The experts and scholars who made known their views pointed out that the JINGJI CANKAO report of the CHUNG PAO article was also misleading. The CHUNG PAO article made use of the "criticism" of the Ma Ding article to criticize the whole range of economic research being done throughout the Chinese mainland, citing the failure of Chinese theorists to understand "the vast development of research undertaken by the modern Western Marxist school of thought" which it felt should be "imported" to China. Furthermore, the New York CHUNG PAO seriously misrepresented "Das Kapital" by calling it a branch of classical economics. However, reports published domestically have ignored such circumstances by representing the theories of the Western Marxist school of thought

as the Marxist economic school of thought and by stating that CHUNG PAO regarded Marxist economic theories as being full of vitality and that it had accused certain economists in China for having "swallowed Western learning hook, line, and sinker," something which CHUNG PAO had not done.

Experts and scholars have pointed out that JINGJI CANKAO had given people the wrong impression that the CHUNG PAO review was an indication of the liberalization trend as reflected in the "academic utilitarianism" and "the tendency to swallow Western research wholesale" prevailing in economic research on the mainland. This false impression must be pointed out and corrected. The experts and scholars have also pointed out that, while the distortion of facts by certain foreigners regarding economic research in China should occasion no surprise, we would be guilty of frivolity and causing great harm if we ourselves were to make no discrimination between what is true and what is false and to stretch the truth in criticizing the so-called "liberalization trend." They have also emphasized the need now more than ever before to probe fearlessly into the truth.

Background of Publication

Beijing JINGJIXUE ZHOUBAO [ECONOMICS WEEKLY] in Chinese 20 Apr 86 pp 1-2

[Article by Liu Shiding [0491 0013 1353]: "New York CHUNG PAO Review of Ma Ding Article"]

[Text] Recent reports by certain newspapers of the review of Ma Ding's articles "Ten Major Changes in Economic Research in China" published in the New York CHUNG PAO have drawn the attention of many people. Having acquired an understanding of and studied the pertinent circumstances, we would like to make an analysis of the subject and to present some of our views.

1. Circumstances Preceding and Following the Publication of the New York CHUNG PAO review of Ma Ding's article.

The article "Ten Major Changes Currently Taking Place in Economic Research in China" written by Ma Ding was published in the GONGREN RIBAO on 2 November 1985. After having been abridged and partially revised, it was translated into English and Japanese and published in the BEIJING ZHOUBAO on 9 December 1985.

Two days later, on 11 December, the Japanese Jiji Shinsha sent an 800-word dispatch from Beijing stating that "In his article, Mr Ma Ding expressed the view that it should be clearly understood that such classic works of Marxist economic theories as "Das Kapital" have lost their validity." Since such words and ideas never appeared in Ma Ding's article, there is no question that they had been foisted upon the author by the Japanese news agency. After the dispatch was sent out by the news agency, it was soon published in a number of newspapers in Tokyo.

A week later, on 19 December 1985, the New York CHUNG PAO published an editorial entitled "Develop What Is Useful and Discard What Is Not in Academic Utilitarianism" based not on Ma Ding's original article, but on the 12 December MAINICHI SHIMBUN report which in turn was based on the Japanese Current Affairs News Agency dispatch. On the basis of what was attributed to Ma Ding by the Japanese news agency, this editorial arrived at a logical inference which can in no way be found in Ma Ding's article, namely, that "since 'Das Kapital' cannot offer 'a ready answer' to today's problems, it has lost its 'validity.'" The editorial then went on to take issue with this viewpoint.

The news that CHUNG PAO had published an editorial critical of Ma Ding's article was promptly transmitted to China. The editorial was reported by JINGJI CANKAO [ECONOMIC REFERENCE] on 4 March 1986. In the report, the CHUNG PAO editorial criticizing Ma Ding was represented as being critical of "certain economists on the Chinese mainland." "The vitality of Marxist economic theories," a phrase not found in the CHUNG PAO editorial, was also put into the title of the report, thus causing considerable confusion and creating the impression that the New York CHUNG PAO was in support of Marxist economic theories while certain economists in China were of the opinion that "Das Kapital" had lost its validity. Both the JINGJIXUE ZHOUBAO and the SHIJIE JINGJI DAOBAO pointed out on 30 March and 31 March, respectively, the series of erroneous reports. On 6 April, JINGJIXUE ZHOUBAO published Ma Ding's original article, the CHUNG PAO editorial and the report published in JINGJI CANKAO. By comparing the three articles, it is easy to discern the true facts.

The article published in GONGREN RIBAO stated that after socialism had been turned from scientific theory into actual fact, "the task facing the Marxist political and economic school of thought is no longer the criticism of the old capitalist world, but the arduous historical mission of establishing a new socialist order," a mission consisting of putting the center of gravity of research on the development of production in society, the increase in the wealth of the people and the stability, growth, development and smooth manipulation of the economy. "However, a ready answer to these problems cannot be found in 'Das Kapital.'" That, obviously, is not the same as saying that "Das Kapital" has lost its validity. Ma Ding's article was revised by BEIJING ZHOUBAO. Added to the word "mission" confronting Marxist political and economic theories was the word "major." Also added to the article was the sentence "Chinese economists are currently making use of the Marxist position, viewpoint, and method to develop an economic science based on the actual establishment of socialism in China," a sentence which has made the entire meaning clearer and more complete. Obviously, the conclusion cannot be drawn from that sentence that "Das Kapital" has lost its validity.

It should be made clear that the series of questions created by Ma Ding's article came into being with the publication of the article in BEIJING ZHOUBAO which had been abridged and revised. A comparison should therefore be made of the Ma Ding article published in BEIJING ZHOUBAO, the editorial in CHUNG PAO and the report published in JINGJI CANKAO at a later date.

2. A Lesson Which Should Be Drawn

From what has been said above, it may be seen that the distorted reports and groundless comments originally came from certain foreign publications. That they had made such reports and comments should occasion no surprise. What is surprising is that our own publications should also have made such reports. Because the reports did not tally with facts and what was reported concerned matters of great consequence, it is not surprising that they should have occasioned so much confusion and resentment. From what has transpired, the following lessons should be drawn:

First, we must adopt a scientific attitude in making reports, place a high value on facts, see to it that what is reported is in accordance with the truth, and refrain at all costs from foisting upon other people our subjective inclinations. To do otherwise would be to show extreme disrespect to the person involved and a gross lack of responsibility to the readers to the detriment of society.

Second, the reader should also use his judgment in reading news reports and in analyzing the major issues instead of taking things for granted.

3. Issues Mentioned in Ma Ding's Article Merit Study

Far from being an essay dealing with theories, Ma Ding's article is one which summarizes and presents certain trends in the research being undertaken by Chinese economists. The following major changes were discussed in the article: "The change from critical economics to constructive economics," "the change from the exposition of the theories of economic policy to scientific analysis," "the change from the rejection and refutation of contemporary Western economics to analyzing and drawing lessons from Western economics," "the change from the study of the relations of production to the study of productivity and the mechanism of the interaction between productivity and the relations of production," "the change from a general study of economic relations to a specific study of the mechanism of economic movements," "the change from a qualitative to a quantitative analysis of the economy," "the change from theoretical economics to applied economics," "the change from microeconomy to macroeconomy and the change from short-term planning to long-term strategic research," "the change from isolated and one-way economic research to comprehensive multidisciplinary social economics research" and "the change from the lineal to the composite type of intellectual structure."

It is our opinion that the use of such words as "the change from to" to summarize the trend of economic research in our nation is lacking in accuracy. Such wording would seem to suggest that, after having studied the latter, we have forgotten and discarded what had gone on before. It is like saying that after having studied applied economics, we have discarded theoretical economics. The truth is that after having studied the one, we have not neglected studying the other. However, that is only a flaw in the way of expression. It seems that Ma Ding's original idea was that emphasis had only been placed on the former among the "10 major changes" he mentioned in his article, while emphasis is now being placed on the latter. Thus, we still

believe that Ma Ding's article merits the attention and discussion of economists since it involves the issues concerning the direction and focus of economic research in our nation. We should not pick out the flaw in Ma Ding's article and make an issue of it. Rather, we should discuss whether the views expressed by him are correct or incorrect, whether they are of a comprehensive character and whether a discussion of such issues is of benefit to scientific economic research.

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NATIONAL POLICY AND ISSUES

VISIT WITH MA DING AT NANJING UNIVERSITY

Hong Kong CHING PAO [THE MIRROR] in Chinese No 6, 10 Jun 86 pp 46-48

[Interview of Ma Ding by special correspondent, Wang Yanli [3769 0516 0500]: "A Visit With Ma Ding at Nanjing University"; date not given]

[Text] [Editor's Note] After the "Ma Ding [7456 0002] Incident," Ma Ding himself attracted wide interest. CHING PAO's special correspondent made a special journey to Nanjing University to visit Ma Ding and reveal details of his personal history and of the process involved in thinking up "The Ten Major Transformations." Ma Ding was also requested to express his attitude toward the debate centering on him and his article. [end of Editor's Note]

The increasingly intensifying overall economic reform in mainland China has captured world attention. Any probing inquiry or innovation in mainland economic theory circles inevitably evokes strong repercussions. The debate caused by the publication of an article entitled, "The Ten Transformations of China's Current Research in Economic Theory" by a young instructor from Nanjing University's philosophy department under the pen name of Ma Ding and the resulting "Ma Ding Incident" is just one example.

The accusation directed at Ma Ding by "theoretical authorities" attacking his article as typifying "bourgeois liberalization in economics" and "high-level spiritual pollution" elicited even more speculation concerning Ma Ding. Some have said Ma is a student of the economist Fuwuche [1381 0063 6508], or that Ma must have "someone behind him." Some people have even spread the erroneous rumor that Ma is a "foreign scholar."

In order to obtain the real story regarding Ma Ding, this reporter made a special trip to Nanjing University to interview this person so much in the news.

However, before removing Ma Ding's "veil of mystery," let us first review what exactly are the 10 transformations proposed by Ma for economic research in mainland China. (For the sake of accuracy, the following theses have been culled from the pages of the GONGREN RIBAO.)

The Storm of Controversy Caused by the "Ten Major Transformations"

According to Ma Ding, the first transformation should be "a shift from an economics of criticism and attack to one of constructiveness." Due to the fact that, "Marxist political economy is faced with entirely different historical tasks in different historical periods," and because, "after socialism changed from scientific theory to a reality in the 20th century, Marxist political economy was no longer faced with the task of criticizing the old capitalist world, but with the even more arduous historical task of constructing the new socialist world." Therefore, "China's economic theorists must leave their dogmatic bookishness behind in studying the economic problems of socialism, and should proceed from lively reality to create a science of economics for the construction of socialism."

From his study of rural adventurism during the creation of the people's communes, the attack on the bourgeois right during the "cultural revolution," the foreign-oriented adventurism and other mistakes, Ma Ding developed the idea of the second transformation as "a shift from theoretical expounding and commentary in economic policy to scientific analysis." He writes, "For a long time, Chinese economists have been satisfied with simply defending and adding explanatory footnotes to economic policy already in existence. Very few have engaged in thought-provoking, fastidious criticisms or even scientific analysis." "In a socialist society, the problem does not lie in the absolute opposition of economic science and economic policy, but should be concerned with uniting the two, so that the latter becomes the foundation of the former."

Due to the existence in mainland China "for a long time of an ultraleft political line and traditional conservatism in ideas" that led to Chinese economists being blind in the right eye, we have to stress only the critique of the vulgarity, defensiveness and reactionary nature of current contemporary bourgeois economists, totally ignoring the practical, rational, and scientific side of their theories." From this, Ma proposes that the third transformation should be "a shift from the rejection and denial of contemporary Western economic theory to analysis of and learning from it."

The fourth transformation is "from the study of the relations of production to the forces of production and the mutual interaction between the forces and relations of production and the mechanisms involved." The fifth transformation is "from general research in economic theory to practical research in economic mechanisms in motion." The sixth is "from qualitative to quantitative economic analysis." These three transformations were proposed based on an examination of the partiality shown by mainland economists in research work for the past 30 years. Ma's purpose is to enable current research work to focus on weak links seldom touched upon in the past.

With the same goal in mind, Ma Ding proposed "a shift from theoretical to applied economics," "from microeconomics to macroeconomics," "from short-term planning to long-term strategic studies" and "from isolated single-discipline research in economic theory to comprehensive, multidisciplinary socioeconomic research."

It is also his belief that, "The current knowledge structure of China's economists is seriously imbalanced: many Chinese economists have a good foundation in systematic Marxist economic theory, but lack knowledge in historiography and statistics." Therefore, the 10th transformation is "from a linear knowledge-structure to a composite knowledge-structure."

In the conclusion of his article on the "Ten Major Transformations," Ma Ding writes, "Current research in Chinese economic theory is undergoing a fundamental transformation which must be completed by China's economists."

People in China's economic circles, if not the average reader, share the widespread belief that the 10 transformations listed in Ma Ding's article represent a summary of the situation and development trends in Chinese theoretical economics since the overall economic reform, and basically correspond with reality. Overall, the main idea and analyses of problems in the article are fairly solid and pertinent. Although there are insufficiencies, the article can be said to be a good one. Quite a few people have suggested that in dealing with questions of right and wrong in academic matters, one must always maintain a cautious, serious, and egalitarian attitude and avoid making groundless accusations and repeat hearsay, which would not only be bad for Ma Ding, but would destroy the lively atmosphere in China's economics circles as well.

Ma Ding's True Identity Not Revealed Until He Applied for Housing

The "Ma Ding Incident" did not abate until Hu Yaobang and Zhao Ziyang issued directives on the matter, but other rumors about him continue to circulate.

In order to avoid missing Ma Ding, this reporter called Ma Ding long-distance to make an appointment with him before setting out for Nanjing University. Who would have known that the door would have been slammed in my face when I got there. A neighbor told us that Ma and his wife had gone out, leaving the message: "Tell the visitors not to bother waiting for me." This was clearly a refusal to meet us.

At a loss as to what to do, I strolled about the campus until I got lucky and encountered a colleague of Ma's, a Mr Ni, who told me, "Ma Ding's article stirred up a storm in society, but everything has been calm on campus. It took a longer time for the philosophy department to find out about it and Ma Ding hasn't encountered any difficulties."

It was rather amusing to find out that due to the fact that the article on "The Ten Major Transformations" was published in the GONGREN RIBAO, part of the All-China Federation of Trade Unions system, under the pen name of Ma Ding, it has not yet elicited much attention from the staff of the philosophy department. The department has a regulation that says first priority in assigning housing will be given to young instructors who have published. At the time, Ma Ding was preparing to get married, so he brought a copy of the newspaper with his article in it to apply for housing. It was not until then that everyone knew that "Ma Ding" was a department instructor.

Yu Shaoyi [0151 4801 5939], vice president of Nanjing University in charge of humanities, specially convened two young authors forums to discuss Ma's article, at which he remarked with gratification: "Nanjing University is excellent academically, and its most influential scholars are young people. In my opinion, it is not that there are too many new ideas, but that there are not enough of them. A high-quality, unique, influential 'group of young authors' should be cultivated."

The philosophy department of Nanjing University truly deserves to be called the cradle of young scholars. Quite a few academic viewpoints that have shaken up mainland theoretical circles have begun here, such as Liu Linyuan's [0491 2651 0955] graduation thesis once praised by Mao Zedong in the 1960's, in which it was suggested that the main aspect of a contradiction determines the nature and viewpoint of things. When mainland theoretical circles began eliminating the baneful influence of the "left" in the late 1970's, an article by a young instructor, Hu Fuming [5170 4395 2494] entitled, "Practice Is the Only Measure of Truth" constituted a major breakthrough in cognitive theory. Ma Ding's "The Ten Transformations of China's Current Research in Economic Theory" published during the overall economic reform of the 1980's, represents an examination of and supplement to the conclusions of the classic works of Marxism. The "Ma Ding Incident" made the academic atmosphere of Nanjing University quite lively to an unprecedented degree. Young instructors from quite a few departments organized academic study groups and "salons" to begin inquiries into some "hotly debated problems" in the realm of social science. In light of this, the university journal initiated a special "Young Authors' Forum" page.

The True Origin of His Pen Name

As night began to fall on Nanjing University and the lights went on and the symphony of pots and pans and cooking utensils began, I went again to knock on Ma Ding's door. Not unexpectedly, Ma and his wife were eating dinner together.

This person whose name had gained considerable fame among his contemporaries, finding himself in the middle of a whirlpool, was in fact, quite young, and gave the impression of not having quite completely reached adulthood. He wore a pair of glasses and a rather shy expression on his pale refined-looking face. Mr Ni's evaluation of Ma--"He studies hard and is sincere and honest"--hit the nail on the head.

Ma Ding insisted that he was merely an ordinary, run-of-the-mill "education craftsman," not worthy of any special notice. Indeed, Ma Ding's experiences were not much different from others of the same age. His real name is Song Longxiang [1345 7893 4382]. The son of a peasant family from Jiangsu's Yancheng, he returned home to farm after graduation from secondary school, and later passed the entrance examination for Nanjing University's philosophy department where he studied for the Master's degree under Professor Sun Bogui [1327 0130]. After graduation he remained at the university to teach. His choice of the pen name "Ma Ding" has nothing to do with the phrase "a man of Marxism" ("Make sizhuyi yi ding" in Chinese), but originated in a nickname classmates had given him during his college days.

Ma Ding's apartment consisted merely of a small 12-square-meter room. Most of the space was taken up by bookshelves and desks. In addition, the many artistic works hanging on the walls gave the place a feeling of refined good taste. It is said that the philosophy department had its own little "local policy." The school's housing department insisted on "doing official business according to official principles" and sent someone to visit Ma daily to convince him to move out or to fine him. Upon hearing this, the vice president of the university and Russian literature expert, Yu Shaoyi remarked, "The room we assigned him was too small!" From then on, Ma Ding could settle down in his new quarters.

Faced with Ma Ding's "no comment" attitude, we changed the subject to some theoretical problems facing China's present overall economic reform which caused him to talk on and on in a flow of eloquence.

Primary Focus on Philosophy, Tentative Research in Economics

When we brought up the subject of "The Ten Major Transformations," Ma Ding said that he had written the article during last year's 2-month summer vacation, and that it was his first tentative stab at economics research. It had been published because he had an ex-classmate working at the GONGREN RIBAO to whom Ma had submitted the article.

Ma Ding majored in the history of Marxist philosophy. When he was a student he felt that philosophy should not be confined to aimless ideological debate within the conceptual realm, but must take note of the current state of research and development trends of positivist sciences and review and summarize their conclusions. If philosophy fails to ally with the natural and social sciences, it cannot avoid a fate of pure debate and spiritual impoverishment. Nor can the feeling that people have toward philosophy as being in a state of "crisis" and their lack of faith in it be changed. Therefore, Ma Ding is striving to push research in Marxist philosophy forward by the study and exploration of economic science. Many of the courses he took while studying for his Master's were taken from the economics department, including three volumes of "Das Capital," the history of economic theory, current Western economic theory, comparative economic theory, and so on. In addition, he passed his graduation oral examination on a thesis entitled, "The Relationship Between the Economic Thought of the Young Marx and His Philosophy."

Ma Ding never anticipated that his "Ten Major Transformations" would arouse such a storm of controversy. He indicated that he welcomed criticism of the article from the older generation in economics circles, colleagues and readers in order to inspire him to do more indepth research. However, he sincerely hopes that his critics will seek truth from facts and have grounds for their criticisms.

As night fell, we said our goodbyes, repeatedly expressing our apologies for the recent constant stream of visiting reporters which has been disturbing Ma Ding, a man of little talent in socializing to the extent that he now refers to smoking as his "hobby," and his wife, a graduate student at the Railway School of Medicine studying for a Master's Degree in medical science.

ECONOMIC DEVELOPMENT ZONES

OVERVIEW OF ECONOMIC GROWTH IN WENZHOU

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 29 May 86 p 3

[Article by Wenzhou Mayor Lu Shengliang [4151 5116 0081]: "A Look at Economic Growth in Wenzhou"]

[Text] Wenzhou is a central city in the south of Zhejiang. It has a population of 6.2 million people of which 510,000 live in the urban district. In recent years the economy has grown rapidly. In 1985 the industrial output value was 3.27 billion yuan, the agricultural output value was 2.51 billion yuan and financial revenue was 390 million yuan which, compared to 1980, was an increase of 1.3-fold, 1.2-fold and 1.33-fold, respectively. Wenzhou's economy is heading on a path which conforms to local conditions.

In comparison with the economies of Sunan and Zhebei, the economy of Wenzhou has two striking characteristics: first, the proportion of collective and individual economies in various economic sectors is large; and second, in the process of economic circulation, circulation invigorates production.

Diverse Forms of Ownership Are Flourishing

Starting from actual conditions, Wenzhou has implemented the principle of encouraging the coexistence of the state-owned economy, the collective economy, and the individual economy and has welcomed the flourishing growth of diverse forms of ownership and operational methods. Among them, the flourishing of the collective and individual economies is the chief feature of the Wenzhou economy.

In addition to regarding household contracts as the basic form in agriculture, in Wenzhou the output value of the state-owned economy, for instance, constitutes 18 percent of the total 1985 industrial output value structure; for the collective economy, 70 percent, and for the individual economy, 12 percent. If "subordinate households" ("subordinate households" refer to some household industries with no bank accounts and no name of their own which rely on town enterprises and are completely independently operated except for communication and management expenses) are calculated into the individual economy, then the collective economy constitutes 54.1 percent and the individual economy constitutes 30 percent. Rural household industries form the main body of individual industries.

Household industries are the mainstay of the Wenzhou rural economy. They are primarily scattered along the coastal plains. At present there are 130,000 households and 400,000 people engaged in this occupation and output value has reached 1 billion yuan. Moreover, more than 10 specialized commodity production bases have formed, such as the production bases for acrylic fiber textiles in Yishan District, (Cangnan) County; badges, plastic cards, and red coating in Jinxiang District; buttons in Qiaotou, Yongjia County; and valves in Jiangbei Township. The raw materials for these commodity production bases are chiefly obtained from leftover bits of material and ordinary materials in various areas throughout the country. The finished products are sold all over and play a role in making good omissions and deficiencies. In other areas, this kind of production operation often takes place in urban neighborhoods but in Wenzhou most production takes place in rural and market towns and a small amount of production is carried out in urban residential areas. Furthermore, the household is considered the basic unit, the residence is the factory and family members are the workers. Capital is not divided into the consumption fund but remains as the production fund.

In collective industries, except for some original handicraft collective enterprises and production brigade collective enterprises, urban neighborhood enterprises have grown rapidly over the past few years. In 1985 the number of neighborhood enterprises in the urban district grew to 1,394 with more than 30,000 workers and an output value of 400 million yuan. They raised their own capital funds, solicited help from potential backers themselves, managed themselves, and were responsible for their own profits and losses. They achieved full self-determination in their business operations and were quite flexible. In addition, some joint household enterprises appeared in the countryside.

The Completion of the Market System Has Stimulated Production

Over the past few years activity on the Wenzhou market has been unprecedented and the various markets have linked up to form a whole and have vigorously encouraged the growth of production.

First, the commodity market: It is necessary for household, neighborhood, and township and town industries to seek out and purchase large quantities of raw materials and to market a wide variety of manufactured goods. However, state-run businesses and supply and marketing cooperatives are unable to take on this responsibility so they rely on the 100,000 procurement and distribution specialized households and the procurement and distribution personnel of some neighborhood and township and town enterprises to go about the country. They form an enormous trade channel. Their "legs" are long and quick and business is brisk. Some collection and distribution markets for nationally known small commodities have appeared in Wenzhou. For example, there is the Qiaotou button market in Yongjia County with over 700 peddlers. Their annual volume of business amounts to more than 80 million yuan. There are 12 major types of buttons and over 1,300 styles. Several thousand people go all over buying buttons from more than 300 household factories. In addition, there are several

tens of thousands of people who market buttons in every province in the country. The formation of the button market has spurred on production. Qiaotou itself does not manufacture buttons. At present 20 percent of buttons are independently made. Similar conditions exist in the production bases of other specialized commodities in Wenzhou, that is, commerce comes before industry. If Wenzhou's household and neighborhood industries do not have vast numbers of procurement and distribution personnel working for them they cannot exist. Commodity circulation also requires numerous channels. In 1985 the retail sales of social commodities in Wenzhou was as follows: 27 percent by state-run businesses, 19 percent by supply and marketing cooperatives, 27 percent by cooperative stores, and 26 percent by individual businesses. They each went around the county purchasing articles for daily use and nonstaple foods. Thus the Wenzhou market had everything one would expect to find in the way of food, clothing, and articles. In particular the "night market" was very attractive. At present in urban and rural Wenzhou there are more than 400 specialized and comprehensive trade markets.

Second, the capital market: A large proportion of the capital needed to develop collective and individual enterprises comes from private credit in addition to loans from banks and credit cooperatives. According to surveys, the independently controlled capital of collective and individual enterprises constitutes 30 percent; loans from banks and credit cooperatives constitutes 34 percent; and private credit constitutes 36 percent. Private credit is loaned and borrowed by private individuals and it is by nature private mutual assistance. Since the supply of capital does not meet the demand, the interest rate on private credit is high. In order to draw in deposits, 56.8 percent of credit cooperatives throughout the city must have floating interest rates.

Third, the technology market: The transfer of technology with compensation has long been implemented among enterprises and individuals. At present both cities and counties have technology transfer centers.

Fourth, the information market: In the urban district of Wenzhou there is an Eastern Information Service Agency consisting of 20 or so young people. They subscribe to 240 publications and select and compile various kinds of economic information which appears every 2 weeks. (They classify information from 240 newspapers throughout the country and compile and examine materials.) The information is supplied to enterprises and individual households for compensation. There is an information specialized household in Jinxiang, Cangnan County which subscribes to 98 newspapers. They sort out the information materials. Their annual business income amounts to 150,000 yuan. In the city of Liu, Yueqing County there is a "News King" who photographs electrical goods, writes explanations and compiles a catalogue for sale. There are many such information specialized households.

Fifth, the labor service market: In order to assist collective and individual enterprises solve transportation difficulties, "consignment stations" have appeared all over. As far as subsistence service is concerned, the urban district has the Datongxiang Subsistence Service Agency. They recommend housekeepers and hire repairmen for urban residents and have largely removed the fear of trouble back at home for workers.

The Sources of Vitality Are Correct Principles and a Realistic Attitude

At present Wenzhou's economic structure fully embodies the correct principles of the CPC Central Committee for developing a socialist commodity economy. At the same time there is an objective basis which corresponds to local requirements for growth in economic construction.

The soil is the major production material in agriculture; fixed assets are the major production materials of the city. In rural Wenzhou the arable land (including terraced fields and dry land) per person is only 4.5 fen (66.66 square meters). The problem of too many people and too little land is very pronounced. In the city, however, there are too many people and too few factories. Here the "1950's were the front lines and the 1960's were the firing lines (this refers to the militant struggle during the 'cultural revolution')." Investments in basic construction are few, the industrial base is weak and the size of the labor force is limited. Solving the problem of a surplus labor force in rural and urban areas is a critical problem confronting the government and the masses.

On the other hand, Wenzhou has always had the custom of peasants engaging in trade and seeking work outside their area during the slack season. It is a city well-known for its handicraft industry. At present there are 270,000 skillful craftsmen in the city who work in mines, build houses, fluff cotton, sew clothes, repair shoes, etc., all over the country. These are also very favorable conditions for the growth of small commodity production.

Nevertheless, if there are only objective requirements and possibilities and no correct policy guidelines, then possibilities cannot become realities. In the past, under the influence of "leftist" ideology, "people did not attend to their proper duties," "they abandoned agriculture to engage in trade," "there were underground factories," and people "followed the capitalist road." People were branded with all kinds of labels and "criticisms" and "struggles" took place so often the "people couldn't take it anymore." "The people were impoverished and their wealth exhausted." Many people had to resort to begging in other areas. After the 3d Plenum of the 11th CPC Central Committee, the principles and policies formulated by the CPC Central Committee, which followed the will of the people, were implemented and only then did order return to Wenzhou. Only then did Wenzhou become full of vitality. The municipal CPC committee and the municipal government upheld proceeding from reality and implemented the principle of encouraging the coexistence of the state-owned economy, the collective economy, and the individual economy. They stressed both production and circulation. Thus the enthusiasm of the masses was like a volcanic eruption which revealed the brilliance of the vitality of the commodity economy in Wenzhou.

The Economy Is Prospering Day By Day; Improvements in the Standard of Living

The full development of commodity production and circulation has strongly promoted economic establishment in Wenzhou and solved problems that were difficult to deal with in the past. This is primarily manifested in four areas:

1. Expansion of employment opportunities. From 1979 to 1985, Wenzhou's rural household industries had a labor force of 400,000. If we add on the personnel working in supply and marketing, transportation, information, food and drink and service for household industries, and those who engage in work throughout the country, there are 800,000 to 900,000 people who have found employment. At present, labor employment no longer involves the government.

2. Production has grown rapidly. In the past, Wenzhou's growth rate frequently lagged behind the rest of the province but in the past 3 years the rate of increase of industrial, agricultural, and financial revenues almost exceeds the average level of the province.

3. There has been a large increase in national income and the standard of living has improved. From 1980 to 1985 the average annual financial income of the city grew 18.2 percent. The people also grew rich quite quickly. Last year the peasant per capita income throughout the city was 447 yuan, 1.5-fold greater than in 1980. The peasants not only had sufficient food and clothing, they also built new homes everywhere. Nowadays the number of three- and four-story homes in the countryside is steadily increasing.

4. The pace of construction in urban and rural areas has quickened. Since 1983, the number of established towns has grown from 24 to 87 and over 200 construction projects, such as running water projects, streets, parks, theaters, etc., have been completed. The people raised funds for most of the projects and changed the faces of the old towns. In over a year the town of Longgang, Cangnan County raised 130 million yuan and built a new town. The whole city raised a total of 450 million yuan in order to build this new town and to improve the streets of the old towns.

Solving New Problems During Further Reforms

As with all things, the commodity economy of Wenzhou has its positive side and its limitations. This is primarily seen in the fact that the individual economy is diverse and the range is broad, yet management is difficult. Certain small enterprises do not emphasize product quality and there is quite a wide gap in worker income among certain enterprises. It is common for numerous household enterprises and small collective enterprises to fail to stress accumulation so that the phenomenon of dividing up everything and eating up everything has resulted in backward production technology and inadequate growth potential. It should be noted that the positive sides of the Wenzhou economy are its essential and principal aspects while its negative sides are problems in advancement which may be solved through further reforms.

Premier Zhao Ziyang pointed out in the "Report on the Seventh 5-Year Plan": "The commodity economy we are striving to develop is, generally speaking, a socialist commodity economy. This kind of commodity economy is based on the public system of ownership, it implements the principle of distribution according to labor and it is planned and controlled." As for the basis in Wenzhou at present, without doubt a gradual process is necessary to attain such objectives. Also, without doubt it is necessary to unswervingly advance toward this

objective. At the present time, it is necessary to pay particular attention to the following. During the process of implementing the principle for encouraging the coexistence of the state-owned economy, the collective economy, and the individual economy, it is necessary to improve control of the individual economy (especially product quality and tax revenues) and, by means of supplying services, guide them to gradually unite. It is necessary to stress consolidating and improving the collective economy, particularly the correct handling of the relationship between accumulation and consumption and to increase public accumulation. It is necessary to further revive and relax restrictions on the state-owned economy, to increase input so as to accelerate its growth rate and to increase its proportion in the national economy. At the same time, it is necessary to use tax revenues and other economic methods to regulate the relationship among all economic sectors. When implementing all these measures we must all be adept in integrating the lines, principles and policies of the CPC Central Committee with actual conditions and we must continue to explore ways to carry them out.

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ECONOMIC PLANNING

FORMATION OF NORTHEAST ECONOMIC REGION REPORTED

Hong Kong LIAOWANG OVERSEAS EDITION No 13, 31 Mar 86 pp 12-13

[Article by Li Yongzeng [2621 3057 1073]: "Northeast Economic Region Emerges at Opportune Moment"]

[Text] Not long ago, the State Council formally approved the creation of a Northeast Economic Region Planning Office mainly for the task of organizing and making good use of the economic resources of the three northeastern provinces--Liaoning, Jilin and Heilongjiang--and eastern Inner Mongolia. This is the fourth economic coordination organization in China.

In the practice of reform and the open-door policy, China has abolished the economic and administrative barriers between departments, provinces and regions, and introduced an element of market economy into its planned economy. Four regional economic coordination organizations have emerged one after another at the opportune moments. The first three are the Shanghai Economic Region Planning Office, the Shanxi Energy Base Planning Office, and the Third-Line Construction Readjustment and Transformation Planning Office. These economic regions have transcended the spheres of their original administrative affiliations and are playing an increasingly important role in the promotion of economic activities.

Open the City Gates and the National Door

The predecessor of the Northeast Economic Regional Planning Office was the Northeast Energy and Transportation Planning Office established in 1983. This office has done a great deal of work in the past 2 years. Recently, the Northeast Region has concentrated its efforts in making the following important breakthroughs: 1) joint establishment of the Dalian Economic and Technological Development Zone; 2) joint research in repairing the damaged sections of the railways on the eastern and western wings of the Northeast Region so that there will be two new trunk lines; 3) joint construction of a local railway from Jining to Tongliao; 4) joint simultaneous transformation and expansion of the highway from Shenyang to Harbin; 5) utilization of the ethylene of Daqing and Liaoning for the joint development of specially processed chemical products; 6) joint construction of color TV tube plants; 7) joint development of border trade with the Soviet Union; 8) joint development of fine processing and the upgrading of flax textile products in

order to increase foreign exchange earnings; 9) joint production of certain "strongly competitive" products for the international market; 10) organizing joint highway transportation; 11) cooperative integration by trades; 12) joint development of coal and steel production; 13) joint operation in the comprehensive utilization of lignite and in coal and electricity supply; and 14) joint investment for importing advanced equipment in Dalian for high protein products.

The Northeast economic region is now developing its economic and technological exchange with Japan, the Soviet Union, Korea, Europe, the United States, and the Southeast Asian countries and regions in order to expand its foreign trade and to import more foreign funds and advanced technologies.

Dalian is a port city serving as the Northeast exit to the world, and in particular to the Pacific Ocean. People in Japan's economic circles have shown great interests in Dalian and the Northeast, and have already formed a "Cooperative Association for Dalian's Economic Development" which will facilitate the cooperation between the two parties.

Manzhouli, Suifenhe and Tongjiang combine to form a thoroughfare for Sino-Soviet trade, while Dandong and Tumen are Sino-Korean trade ports. Full utilization of these ports and development of trade contacts with the Soviet and the East European markets are also an important aspect of opening the Northeast to the outside world.

The whole region is now stepping up the training of personnel for economic and technical exchanges with foreign countries. It has established consultation and research organs dealing with economic relations with foreign countries, and is planning to employ a number of experts in specialized technology and management, retired personnel or foreigners of Chinese descent. Hong Kong and Macao compatriots, overseas Chinese, and Taiwan compatriots are particularly welcomed to participate in the construction of the Northeast Region.

Promotion of Economic Integration

The Northeast Economic Region Planning Office is not an administrative organ at any level, but rather an agency of the State Council for the planning and coordination of economic regions. Its tasks are as follows: to work out long- and medium-range regional plans (including the plans for the preservation of soil fertility regardless of the provincial or regional barriers); to carry out the necessary coordination and balancing of departmental and regional plans; to promote lateral economic integrations across regional and department borders by exploiting the local strong points; and to conduct important monographic investigations and study of a permanent and strategic nature and then to submit proposals, in addition to the other tasks assigned by the State Council. Its predecessor, the Northeast Energy and Transportation Planning Office, has completed the following eight tasks in the past 2 years:

---Working out plans for energy and transportation in the Northeast;

---Submitting reports on invigorating the old industrial bases and accelerating technical transformation in the Northeast during the Seventh 5-Year Plan period.

---Compiling an outline of the energy conservation plan for the Northeast Region during the Seventh 5-Year Plan. This outline has been approved by the State Planning Commission and the State Economic Commission and relayed throughout the country.

---Conducting a monographic survey on the construction of state-owned forestry areas in the Northeast and on food transformation. Report on the survey has already been submitted to the State Council.

---Holding three meetings on different occasions to discuss the strategic issue of economic and social developments in the Northeast Region. It was proposed that after the fourth meeting, to be held some time this year, an outline of the strategy for economic and social development in the Northeast should be ready to be submitted to the State Council to serve as the basis for the formulation of long- and medium-range development plans for the Northeast.

---Selecting the economic region in the central-southern portion of Liaoning, in Changbaishan and the second drainage basin of the Songhua Jiang in Jilin, and in Hulun Buir League in Nei Monggol as the key areas for the preservation of soil fertility in the Northeast Region. The planning for the preservation of soil fertility is now in progress.

---Joining the relevant provinces and regions for the establishment of a Northeast Science and Technology Information Center, a Materials Trade Center, an Energy Standardization Association, and various network centers. Recently, the Joint Land, Water and Air Transportation Company of the Northeast was formed in Dalian, and the Northeast Economic and Technical Group for Electricity and Gas was formed in Harbin to strengthen the lateral economic integration among different regions.

---Organization of the Northeast Economic and Technical Research Association and the publication of TONGBEI JINGJI BAO [NORTHEAST ECONOMIC JOURNAL].

The Northeast Economic Region has made great efforts in promoting lateral integrations across provincial and region borders. In the past 2 years, it has signed agreements on more than 4,400 cooperative projects of a total value of about 2 billion yuan and increased its output value by more than 3 billion yuan. The scope of economic and technical cooperation has gradually expanded and is beginning to develop in the multilevel and multichannel direction, and the form of cooperation has developed from the mere exchange of materials into joint exploitation of resources; from general cooperative processing into the organization of specialized production; from purely technical exchange to joint undertakings in production, and scientific research and education; from temporary and sporadic cooperation into long and steady cooperation; and from cooperation within a region into cooperation with other provinces and cities.

The Emergence of Enterprise Groups at Opportune Moments

On the basis of lateral economic integrations, many integrated bodies headed by large and medium-size enterprises have emerged in the Northeast Economic Region for the production of fine-quality products. For example, the Harbin Electric Power Station Equipment (Complete Sets) Company, the Shenyang Power Transmission and Transformation Equipment (Complete Sets) Company and 27 other enterprises have combined to form the Northeast Power Economic and Technical Group. There are also the Northeast Power Station Electroceramics Economic and Technical Integration, headed by Fushun Electroceramics Plant, the China Beifang [North] Valve Company headed by the Shenyang High- and Medium-Voltage Valve Plant; the "Dongbei [Northeast]" Battery Integrated Body headed by the Shenyang Battery Plant; the Fruit Wine Production Integration headed by the Tonghua Grapewine Brewery; and the Dongbei Bicycle Integrated Company. These newly emerging enterprise groups have infused new vitality into the Northeast industrial base. Furthermore, regional economic networks are continuing to expand, and urban-rural cooperative integrations with the large and medium-size cities as their bases are beginning to emerge. For example, Liaoning has organized seven central cities with Shenyang as the center; five coastal cities with Dalian as the center, and four western cities with Jinzhou as the center into economic and technical cooperative integrated bodies. In Heilongjiang, two state farm administration bureaus and 11 state farms have combined to form an economic cooperation zone. Many cities have also established friendship relations with other cities and counties.

For the further promotion of lateral integrations by trades, the Northeast will gradually set up a system of joint conferences for different trades and some key trades in the northeast will be organized for this purpose. For example, there will be the Northeast Iron and Steel Group, the Nonferrous Metal Group, the Machine-Tool Group, the Motor Vehicle Group, the Intensive Processing of Petroleum Integrations, and so forth.

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ECONOMIC PLANNING

FORMATION OF BOHAIWAN ECONOMIC REGION REPORTED

Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 13, 31 Mar 86 pp 13-14

[Article by Yang Haitian [2799 3189 3944] and Dong Yunsha [5516 7189 5446]: "Bohaiwan Economic Region Taking Shape"]

[Text] The Bohaiwan Economic Region which stretches from Dandong of Liaoning to Qingdao of Shandong, including Dalian, Yingkou, Jinzhou, Tangshan, Qinhuangdao, Tianjin, Dongying and Yantai, is now taking shape. Our correspondents recently visited some cities in this region, and were told by the city officials that the lateral ties among the cities are now being strengthened and that agreements have been signed on many cooperative projects in industry, agriculture, fishery and other fields.

China's Northern "Golden Delta"

Bohaiwan occupies one of the best geographical locations in China. It faces the spacious Bohai beyond which is the vast Pacific Ocean. Through Dalian, Qinhuangdao, Tianjin, Yantai and Qingdao, the five large seaports, trade contacts can be carried out with more than 150 countries and regions in the world. Behind it is North China, the Northeast, the Northwest and Central China of the huge mainland. Scores of railway trunk lines, more than 20 navigable rivers, some 50 air routes, and a criss-crossing highway network are joining various parts of this mainland. This region is also the starting point of two "continental bridges": first, Dalian, where the goods coming ashore can be transshipped by the Siberian Railway after passing through Manzhouli; and second, Tianjin, where the goods coming from the sea can also be transshipped by the Siberian Railway after passing through Erenhot and the People's Republic of Mongolia. A trip to Europe through either of these "continental bridges" instead of by sea can save about 1 month's time.

At the same time, Bohaiwan is one of the regions with the highest scientific, technical and cultural levels in China. It is also close to Beijing, and the rich intellectual resources of the national capital are directly available to this region. With the addition of the capital, the entire Bohaiwan Economic Region has more than 100 institutions of higher learning, more than 200 secondary vocational schools, more than 800 natural science research organs and nearly 600,000 natural science professionals. A fairly large proportion of the important research organs and well-known foreign and Chinese experts

and scholars in China are concentrated in this region. This abundant and densely concentrated intellectual resources have laid the foundation for the development of the Bohaiwan Economic Region.

The entire Bohai is above the continental shelf of China. It has a shallow and flat bottom and plenty of sunlight. The water temperature is high. Because of the many rivers in the coastal areas, fresh water is plentiful and the nutritious substances can be easily replenished. This is the breeding place for fish, shrimps, crabs, scallops and various maritime products. Many spawning grounds, feeding grounds and migration grounds for fish and shrimps are spread out in the coastal sea, where more than 120 species of fish are growing. In addition, there are the famous prawns, swimming crabs, kelp and so forth. This is an important maritime production base in China. It is also surrounded by four large oilfields--Shengli, Huabei, Dagang and Liaohe--and holds an offshore oil and gas field with fairly large deposits. In addition to Kailuan, Jingxi and several large coal mines; Anshan, Qidong and other large iron mines; and a salt field producing more than half of the total national output, there are also aluminum, manganese, copper and lead mines with fairly rich deposits. Furthermore, Shandong Peninsula and Liaodong Peninsula are two important agricultural bases in China, producing rice, peanuts, cotton and fruits which are all world famous. Therefore, it can be aptly called the home of fish and rice.

Because modern industries are mostly located in the coastal regions, natural space has become the main problem in economic development. There are nearly 10 million mu of saline-alkaline land and beaches along Bohaiwan's coastline of some 5,000 km. These are favorable conditions for the increase of productive forces and for economic and technical developments. The average population density in the several coastal cities, such as Dandong, Dalian, Qinhuangdao, Yantai and Qingdao is 170 persons per sq km, much lower than those of Shanghai (2,700 persons per sq km), Guangzhou (2,300 persons per sq km) and most of the other coastal cities.

We may say that Bohaiwan region has a promising future in view of its basic conditions for economic development. It is comparable to the Gulf of Mexico of the United States, Black Sea of the Soviet Union, and Seto Inland Sea of Japan. It deserves the title of the "Golden Delta" of North China.

Active Integration, Common Development

Bohaiwan's unique geographical and natural advantages as well as its prolific production are the decisive factors of its importance in the national economic and social development. Integration for common development is now a question of common concern for the cities in the Bohaiwan region.

Historically, these cities have always carried on trade and transportation among themselves. There are natural and innate relations among them economically, socially and culturally. In supporting the inland and the national economy, they have all played important roles. Since the 1960's, however, because of the one-sided stress on the vertical relations and the internal economic relations of various provinces and cities, the lateral economic and social relations in this region were weakened. According to

statistics, the combined area of Dalian, Tianjin and three other coastal cities is nine times that of Shanghai, and the number of workers in the industrial enterprises is about equal to Shanghai's. However, the total of profits and taxes amount to only 50 percent, and the GVIO, only 66 percent of Shanghai's. The rates of profits and taxes calculated on the basis of funds and output value, the per capita labor productivity and other economic indices are all below those of Shanghai.

Because of China's system of administrative division, the comprehensive economic benefits in the regions cannot be realized. Worse still, there are mutual competitions and restriction among the cities. The technical standards of industry in Tianjin, Dalian and Qingdao, for example, are fairly high; but because of the drag from the undeveloped coastal cities over a long period, very few key projects have been arranged for these three cities for which, there is always a serious shortage of raw materials. Therefore, the cities were compelled to become "large and complete." Of the 164 industrial branches listed in the national statistics, Tianjin has 153; Dalian, 145; and Qingdao, more than 100. These cities have been faced with many problems in the allocation of water, energy and other resources, in the forming of transportation networks, and in dealing with environmental pollution. These problems and contradictions are now being resolved through a general regional improvement.

Basic Idea behind the Economic Regions

To accelerate the process of integration among the cities in the region on the basis of the region's role in the domestic economic development and its own characteristics, this economic region is now planning for its own macroeconomic development. A tentative idea behind this planning is for a unique Bohaiwan Economic Region to be formed step by step with Dandong, Dalian, Yingkou, Panjin, Jinzhou, Tangshan, Qinhuangdao, Tianjin, Dongying, Yantai and several other large, small and medium-size coastal cities combined as the main component; with Beijing, Liaoning, Hebei and Shandong (three provinces and one municipality) as the base; with the Northeast, North China, the Southwest, and Central China as the hinterland; with five coastal cities forming an economic and technical development zones as the window; and with northern China and the Asia-Pacific Region as an economic radiation network. According to this idea, we should develop this region with the following objectives in mind:

--Taking full advantage of Bohaiwan's solid industrial foundation and abundant natural resources, we should make rational readjustments of the present production structure, work out a rational distribution of the newly-added projects, primarily for the development of machine-tool, metallurgy, petrochemical and marine chemical industries, and turn this region into a comprehensive industrial base with heavy industry and chemical industry as the foundation along with the appropriate development of electronic industry, light industry, textile industry, building materials industry and food industry, so that it can produce more strongly competitive commodities for the international market. Then, this region will gradually become China's largest industrial group and processing base for export commodities, and be able to join the rank of the Soviet Union's Ukraine Economic Region along the coast of

Black Sea, the United States' Great Lakes economic region, and Japan's "three bay's and one sea" economic zone.

--We should fully exploit Bohaiwan's abundant intellectual resources and scientific and technical know-how and make every effort to train the personnel urgently needed for the "four modernizations" and for international economic and technical cooperation. We should also develop and import the most advanced science and technology of the world, continue to supply them to the inland and the whole country, and expand our multinational undertaking by exporting mainly skilled personnel, technology and funds. This region will then become an important base for the development of talents and technology for China and the Asia-Pacific Region.

--We should fully exploit the geographical advantages of Bohaiwan, work out plans of harbor construction and of economic and technical developments, set up and develop a regional financial system, provide modern facilities to serve foreign trade, and promote domestic and foreign economic and technical cooperation, so that this region will gradually become China's fourth open economic zone and the financial and trade center of the Asia-Pacific Region.

--Instead of any single city, more than 10 large, small and medium-size cities will combine as a city group to become the core of the economic region, or the main component of Bohaiwan Economic Region. In addition to readjusting the distribution of productive forces, we should first attend to the urgent and important regional issues which have a bearing on the interests of all concerned as an impetus to the construction of the economic region. We should open banks in the economic region and the specialized banks in the cities can accommodate one another in the way of funds and perform such functions as joint overdrafts, settlement of trade accounts, mortgage loans, inter-city discounts and so forth in the region or between different regions. Joint investment can also be made in important and large regional projects.

--We should also organize Bohaiwan regional tours by sea, land and air around Dalian, Shanhaiguan, Beijing, Tianjin, Yantai and Qingdao.

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ECONOMIC PLANNING

ACHIEVEMENTS IN SIXTH 5-YEAR PLAN HIGHLIGHTED

Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 13, 31 Mar 86 pp 15-17

[Article by staff correspondent: "Five Years of Great Reform, Great Development"]

[Text] In the past 5 years, China made every effort to remove the obstacles to its economic development and fundamentally improved its financial and economic conditions. At the same time, it also achieved notable success in the development of its economy and culture and the improvement of the people's living conditions. All these achievements have helped strengthen the foundation of its national economic and social development during the Seventh 5-Plan period.

Five Years of Most Rapid Development

China's economic and social outlooks have undergone profound changes. These changes are more striking than those which took place during the several 5-year plan periods after the founding of the People's Republic or during the same period in other countries of the world.

From 1981 to 1985, namely, the Sixth 5-Year Plan period, the average annual growth rate of China's GVIAO was 11 percent. The growth rate of its GVIO (including that of rural industry), was 12 percent, and that of its GVAO (not including that of rural industry) was 8.1 percent. The average GNP growth rate was 10 percent each year. These growth rates are generally equivalent to those of the First 5-Year Plan period (1953-1957), and higher than in the other 5-year plan periods or in the same period among the major world powers. In these 5 years, agriculture developed very rapidly. Its growth rate was higher than that of many countries in the world and the highest in China since the founding of the People's Republic. In the 28 years from 1953 to 1980, China's GVAO increased at the average rate of 3.5 percent each year. The growth rate was fairly high during the First 5-Year Plan period, averaging 4.5 percent each year. It was further raised to 5.1 percent during the Fifth 5-Year Plan (1976-1980), but that of the Sixth 5-Year Plan period was the highest of all. The rapid growth of agriculture as the foundation of the national economy created excellent conditions for an all-round steady growth of the entire state economy.

Marked Increase in Economic Strength

In the past 5 years, some products that are important to the national economy and the people's livelihood were greatly increased and the ranks occupied by some of them in the world have also changed. The average national grain output each year was increased from 305.3 million tons in the Fifth 5-Year Plan period to 370.62 million in the Sixth 5-Year Plan; that of cotton, from 2.24 million tons to 4.32 million tons; and that of meat, from 9.37 million to 14.62 million tons. From 1980 to 1985, the national coal output was increased from 620 million tons to 850 million tons; that of crude oil, from 106 million tons to 125 million tons; power generation, from 300 billion kWh to 407.3 billion kWh; and steel output, from 37 million tons to 46.66 million tons. Although the present per capita industrial and agricultural products are fairly low, their gross output is fairly high in the world. Based on an assessment of the world output, the following major products of China are ranking high in the world: cereals, maintaining its first place; cotton, rising from second in 1980 to first in 1985; meat, from third to second; coal, from third to first; steel, from fifth to fourth; and power generation, from sixth to fifth. This is a clear indication that after 5 years' effort, China's economic strength has been markedly increased.

Stronger Material and Technological Foundation

During the Sixth 5-Year Plan period, the state-owned units' total investment in fixed assets reached 530 billion yuan and the value of newly-added fixed assets amounted to 388 billion yuan. A total of 496 large and medium-size projects, including 103 energy and transportation projects, were completed and put into operation. In these 5 years, the installed power generating capacity was increased by 19.5 million kw; coal mining capacity, by 80 million tons; crude oil extraction capacity, by 50 million tons; railway operational mileage, by 1,500 km; double track mileage, by 1,500 km; electrified mileage, by 2,400 km; and the handling capacity of deep-water berths, by 100 million tons. The renovation and transformation of the existing enterprises were accelerated, and more than 200,000 projects were completed and put into operation. The technological level of some trades and enterprises has been markedly raised. The proportion of machine-tool and electronic products up to the international standards of the 1970's and the early 1980's was raised from 10 percent in 1980 to 25-30 percent in 1985. Great progress was made in capital construction and technical transformation. This progress has not only promoted stable economic growth during the Sixth 5-Year Plan period, but also provided a good material foundation for economic development in the Seventh 5-Year Plan period and the 1990's.

Balanced Financial Receipts and Payments

The downward trend of China's financial receipts was reversed in the past 5 years, and the last 3 of these years witnessed the gratifying spectacle of a large and steady increase. There was a fairly heavy deficit at the end of the Fifth 5-Year Plan period. The deficits in 1979 and 1980 totaled nearly 30 billion yuan. Readjustment and restructuring during the Sixth 5-Year Plan period promoted the development of production and circulation, the improvement of economic results, and the increase in revenues. The domestic revenues

increased by 12.7 billion yuan in 1983, 25.5 billion yuan in 1984, and 36.2 billion yuan in 1985, by which time, the total annual revenues reached 182.9 billion yuan with a balanced receipts and payments. Previously, increase in financial revenues was the highest during the Fifth 5-Year Plan period--an increase of 2.26 billion yuan in 1980 over 1975. But the increase during the Sixth 5-Year was far greater--an increase of 78.6 billion yuan in 1985 over 1980. Along with the increase in state revenues was a large-scale increase in extra-budgetary funds which reached 143 billion yuan. The combination of budgetary and extra-budgetary funds doubled that of 1980.

Vigorous Development of Science, Technology, Education, Culture

During the Sixth 5-Year Plan period, the state spent 117.5 billion yuan on scientific, technical, educational and cultural undertakings, more than doubling that of the Fifth 5-Year Plan (57.7 billion yuan). In these 5 years, a total of 33,000 major research projects were completed and 937 of them won state awards for scientific and technical inventions, some of which were in leading positions in the world, or up to the advanced world levels. The popularization and application of scientific and technical achievements as well as technical renovations through mass efforts have all produced remarkable results. Higher education developed rapidly. The number of regular students of ordinary institutions of higher learning increased from 1.14 million in 1980 to 1.7 million in 1985. The structural readjustment of secondary education began to produce good results, vocational and technical education developed rapidly, popular elementary education made progress, and adult education in various forms developed throughout the country on an unprecedented scale. Literature, arts, journalism, publication, radio broadcasting, movies, television and various cultural activities as well as sports and public health have all undergone new developments.

New Prospects in Economic, Trade Relations and Technical Exchange with Foreign Countries

In the past 5 years, China was more open to the outside world in breadth and in depth than ever before. During the Sixth 5-Year Plan period, its import-export volume reached 230 billion yuan, doubling that of the Fifth 5-Year Plan period and rising conspicuously in the world rank. It has utilized \$10.3 billion of foreign loans in various forms and absorbed \$5.3 billion of direct foreign investment. A number of joint Chinese-foreign ventures, cooperative enterprises, and foreign-owned enterprises were formed in various parts of China. In these 5 years, China imported more than 14,000 foreign technologies, some of which were up to the international levels of the 1970's and the early 1980's, in addition to some key equipment. Because of the imported technologies, the joint Chinese-foreign ventures, and cooperative enterprises, the technical and management levels of many enterprises were markedly raised. In addition, fairly good progress was made in the handling of construct projects and labor service for foreign countries by contract.

Universal Improvement of People's Livelihood

Along with the steady economic growth, Chinese people's material and cultural lives have universally improved on an unprecedented scale. First, the income

of the urban and rural population has been greatly increased. Even allowing for the rise in the cost of living, the per capita net income for peasants in the past 5 years increased at an average rate of 13.7 percent, while that of urban working families increased at an average rate of 6.9 percent each year. In these 5 years, more than 34 million people in the cities were given jobs. Second, the consumption level of the urban and rural population rose rapidly, with distinct changes in the consumption pattern. The people's diet has been greatly improved, the style of their clothing has become more diversified, and the use of durable consumer goods, especially TV sets, laundry machines, recorders, refrigerators and other household electrical appliances was greatly increased. Third, people's housing conditions have been improved. During the Sixth 5-Year Plan period, the floorspace completed in the cities exceeded 630 million square meters, while in the countryside, the area of new houses exceeded 3,270 million square meters. Fourth, the savings deposits of the urban and rural population also increased by a wide margin, and amounted to 162.3 billion yuan at the end of 1985, a three-fold increase over the end of 1980.

Food and Clothing Problems Solved, Economic Relationships More Proportionate

China's agricultural development was slow in the past. From 1953 to 1978, its grain output increased by an annual average of only some 5 million tons, and its cotton output was for a long time at a standstill between 1965 and 1978. The problem of feeding and clothing the people was quite a serious one. After the Third Plenary Session of the 11th CPC Central Committee, China began to develop socialist agriculture step by step, and fairly rapidly solve this problem. This was an important event of historical significance and with far-reaching effects.

With the exception of the early 1950's, China's commodity supply on the urban and rural markets was generally fairly tight in the past, and it was imperative that many commodities had to be rationed. Sometimes, there were scores of different ration coupons in some localities, and standing in long lines to buy something was a common sight. Because of the large increase in industrial and agricultural products during the Sixth Five-Year Plan period, and the ample supply of consumer goods, the system of rationing was basically abolished, except for grain and edible oil.

In the past, the proportionate relationships between agriculture, light industry and heavy industry, and between accumulation and consumption were for a long time in serious disharmony which hindered the steady development of the national economy and the improvement of people's livelihood. The ratios of agriculture and light industry were raised in the GVIAO during the Sixth 5-Year Plan period, and a new orientation of service for heavy industry was determined. Their proportionate relationships thus became better coordinated. In 1978, the accumulation rate was as high as 36.5 percent; in the Sixth 5-Year Plan period, it was lowered to about 30 percent. The improvement in the proportionate relationships among the major economic sectors has played, and will continue to play, an important role in promoting and ensuring the sustained and healthy development of the national economy.

An Accomplished Strategic Shift

The tremendous achievements during the Sixth 5-Year Plan Period fully testify to the correctness of the CPC's line, principles and policies. The CPC has resolutely discarded the erroneous theory and practice of "taking class struggle as the key link," developed and consolidated the political stability and unity, unswervingly shifted the focus of all work to socialist modernization, and firmly adhered to the policy of proceeding from realities. This is the basic guarantee and important precondition for the steady and coordinated development of the national economy. As far as economic work is concerned, the strategic shift made by the Chinese government is of great historical significance and is the basic factor of all its success.

In accordance with its strategy of economic and social development, China has turned its attention from the one-sided quest for the increase in industrial output and output value to the coordinated development of agriculture, light industry and heavy industry, and to the all-round economic, technical, cultural and social development with the improvement of economic results as the central goal.

China's economic system has begun to change from one of over-commitment and over-rigid control to one that meets the requirements of a planned commodity economy on the basis of public ownership, and is full of vitality and vigor. The reform of the economic system made its first important breakthrough in the countryside where the popular adoption of the output related system of contracted household responsibility and other reform measures have greatly liberated the rural productive forces and enabled the rural economy to begin its shift to specialization, commercialization, and modernization. In the cities, the reform was carried out in varying degrees on planning, finance, taxation, pricing, banking, commerce, labor and wages with the invigoration of enterprises as the central task. As a result, the cities have acquired a vitality never seen before in their economic life. The enterprises' power of self-transformation and self-development has been gradually enhanced and the socialist market continued to expand. Many different forms of ownership and modes of business operation are developing remarkably and the lateral economic ties are being increasingly strengthened. The operational mechanism of the entire national economy has undergone many changes that are helpful in invigorating the economy, and these changes have effectively aroused the enthusiasm and creativeness of the workers and staff members.

In its relations with foreign countries, China's economy has begun to change from one of a closed or semiclosed type to one of an open type to take full advantage of international contacts. In making use of its domestic and international resources, developing the domestic and the world market, and mastering the skills of domestic economic management and foreign trade and economic exchange, China has also achieved great success.

These historical changes and the resultant achievements in China are all here for the world to see. The Chinese people are now more and more confident that by the turn of the century, the objective of quadrupling the GNP can be attained. They are full of confidence and hope in their country. To China, this confidence and hope may be of even greater importance and significance.

ECONOMIC PLANNING

DEVELOPMENT OF XIZANG'S NATURAL ADVANTAGES DISCUSSED

Changsha JINGJI DILI [ECONOMY GEOGRAPHY] in Chinese Vol 6 No 1, Feb 86 pp 22-27

[Article by Wang Daben [3769 1129 8786] of the Geography Teaching and Research Group of Xizang University: "Several Problems Regarding the Full Development of Xizang's Natural Advantages"]

[Excerpts] Xizang is currently China's most economically backward region. In 1983 the average per capita GVIAO was 370 yuan, not even one-half of the national per capita average. Its industrial and agricultural output value per square km was only 6 percent, or 8 percent of the national average. As Xizang is a region where many national minorities are concentrated, its development and utilization is of concern to all across the nation. This article shall deal with the problems involved in fully developing Xizang's natural advantages.

I. An Analysis of Xizang's Conditions in Relation to Economic Development

The productivity rate of the entire labor force of its state-run sector is only two-fifths of the national average (1983). The quality of its major products, primary products such as leather, fur and minerals, is poor. Xizang's GVIO for the entire year is not even equivalent to output value in one day in Shanghai. In 1981 output value per 100 yuan realized on fixed assets was one-third of the national average and realized profit was only 1/22 of the national average. Xizang is very backward in culture and education and has an outstanding shortage of personnel. The above all limits the possibilities of Xizang undergoing large-scale development in the near future. Xizang's share of the national income is low, while its expenditures are high, requiring reliance on the interior to provide a large amount of materials for production and daily life. Revenue is low with many expenditures, requiring financial subsidies from the central authorities. In the 30-odd years since liberation, the state has allocated more than 7 billion yuan to Xizang, 99.7 percent of Xizang's total revenue.

(1) 表1 西藏和全国人均资源对比表

(2) 单位: 亩/人、米³/人

	(3) 土地	(4) 耕地	(5) 草场	(6) 森林	(7) 木材 蓄积量	(8) 水资源
(9) 全国	14.4	1.5	5.3	1.8	9.3	2.700
(10) 西藏	97.8	2.0	423.3	50.0	741.0	19.600

Key:

- (1) Table One A Comparative Table of People to Resources in Xizang and China
- (2) Unit: mu/person, meter/person
- (3) Land
- (4) Cultivated Land
- (5) Grassland
- (6) Forest
- (7) Timber Reserves
- (8) Water Resources
- (9) China
- (10) Xizang

II. Proceed from Reality and Put Xizang's Natural Advantages to Use

Primary and secondary priorities have to be distinguished in the construction of a country or of a region. We must base ourselves in the principle of not exceeding the limits of our strength, maximizing strongpoints and minimizing weakpoints, and proceed from the reality of Xizang to create an economic structure consistent with the region's still unused natural resources so that they bring prosperity to the people.

A. The Overall Development of Agriculture

For a long time animal husbandry output value has accounted for almost half of the region's GVAO. Since the establishment of the Xizang Autonomous Region 20 years ago, 4.54 billion yuan has been accumulated in output value in animal husbandry, which was 25-fold greater than the state's investment in it during the same period. A comparison of the economic benefits of agriculture and animal husbandry (see Table Two), shows the huge predominance of animal husbandry in Xizang's economy. From the perspective of natural conditions, due to the limitations of lack of heat and water, and the topography, there is a limited area of cultivated and potentially arable land. There are virtually no areas in the entire region totally devoted to agriculture, therefore for Xizang to concentrate solely on agriculture would be in violation of natural law. Animal husbandry in Xizang is at present extensive in style, and the level of production is quite low. Its per mu output value for usable grasslands is only 0.31 yuan; for beef and mutton, 0.11 jin and each wool-bearing sheep, 1.5 jin of wool, only half of that of Xinjiang and Nei Menggol (as published). In addition, religion and the force of custom has led to a reluctance to slaughter the animals, much

of which are utilized by the people; as a result the commodity rate is low--not even 10 percent at the most for meat and butter. The phenomenon of "well fed in the summer, fat in the fall, thin in winter and dead in spring" is still a serious one, and the death rate among animals in the spring is 6-8 percent, making it even more difficult to resist natural disasters. To turn this situation around, it is necessary to improve grassland management, protection and construction and reduce livestock habitation. The most fundamental way to accomplish this is to plant grass and trees and construct water control projects in a big way. Today, successes in the development of superior strains of grass in northern Xizang, the utilization of vast stretches of natural grassland on the high plateau range and the construction of man-made, intensive pastures are gradually resolving the problem of the serious lack of pasture in the winter and spring, thereby increasing the capacity to support livestock and altering the passive habit of relying on nature to raise livestock. In addition, the slaughter and turnover rates must be accelerated. These are important measures in augmenting the economic returns of animal husbandry.

(1) 表2 西藏农、牧业人口及产值比较

	占全区 总人数的 (2)%	占农牧 业劳动 力的% (3)	所劳动的 区域面积 (4)	占农业 总产值的 (5)%
(6) 农区	59.76	71	(8) 340万亩耕地	33.06
(7) 牧区	26.26	29	(9) 84,000万亩 草场	51.72

(10) 资料来源: 根据自治区统计资料整理

Key:

- (1) Table Two A Comparison of Xizang's Agricultural and Herdemen Population with Output Value
- (2) Percentage of Region's Total Population
- (3) Percentage of Agricultural and Animal Husbandry Labor Force
- (4) Areas of Districts Labored In
- (5) Percentage of Total Agricultural Output Value
- (6) Agricultural Areas
- (7) Herding Areas (8) 3,400,000 mu of cultivated land (9) 840,000,000 mu of grassland
- (10) Information Source: Based on Statistical Materials from the Autonomous Region

While improving construction in animal husbandry, production in traditional agricultural areas cannot be neglected, in particular, the three-river basin system (the Yaluzangbu River and its two tributaries, the Lasa and Nianchu Rivers), where there is much potential for the development of grain production. Here the main orientation of work should be in intensive operations and raising per unit area yield. Present average per mu grain output in Xizang is 300 jin, for a per capita average of 528 jin, lower than one-fifth of the national average. Every year it is necessary to bring in grain from the inland at the cost of 1 yuan per jin. In 1980 approximately 70 million jin of grain was brought into Xizang, or 15 percent of the volume of materials

transported there for that year. Along with the development of the region, population increases are inevitable which will intensify the need for grain and agricultural byproducts. Therefore the development of agriculture and animal husbandry is urgently needed, as it cannot only lead to the creation of more agricultural and animal products and improve the people's standard of living, but can be useful in reducing the pressure on transportation, save on capital and promote the creation of a solid base for future large-scale development.

There are many conditions conducive to the development of agriculture in the Three River Basin, but its chief limitations are those involving water and fertilizer. Therefore, by adjusting to the environment and changing over to the cultivation of beans, fodder and potatoes in low-yield fields, concentrating excess production materials and labor force in areas with good water supply and earth, and by implementing intensive cultivation and raising per unit area yield, the goal of increasing total grain output and creating a good ecological system can be achieved. At the same time, this will be helpful in the development of animal husbandry, forestry and diversified operations.

The natural environment in the "No man's land" of Xizang's northern desert wastes is poor and there are no roads. There are definite obstacles in the way of development and it will be difficult to markedly increase economic returns in a short period of time. Therefore it would be better to focus on developing riversides and uncultivated hillsides in agricultural and half-agricultural, half animal husbandry areas, to plant grass for herding use.

In order to adopt to local conditions in the development of agricultural and animal husbandry production, a good job must be done in the conducting of surveys of natural agricultural resources and in the designation of agricultural zones and the rational disposition of agriculture, animal husbandry and forestry.

B. Greatly Develop Energy Sources, Transportation and Communications

This is a necessary precondition in Xizang's economic takeoff, and is a material condition required in the opening up of an isolated region.

The utilization rate of Xizang's abundant water resources is not even four-fifths. The only places where utilization of geothermal resources has occurred is at the Yangbajing Geothermal Electric Power Station (100,000 kw), and the Alilangjiu Geothermal Electric Power Station presently under construction. Water power and terrestrial heat are mostly concentrated along the populous, settled Yaluzangbu River valley, which simplified on-the-spot transmission of electricity. Solar and wind energy is also being gradually developed, and investment has already reached 35.784 million yuan, leading to the construction of solar greenhouses and large plastic tents occupying 300,000 sq m, 15,000 sq m of solar heated houses and 140 solar bathrooms, and the experimental construction and purchase of more than 1,900 solar-powered stoves, water soilers and ovens. In northern Xizang

four model villages for which electrical power is provided by wind power have been created. All this has great significance for the transmission of electricity for lighting, heating, cooking, irrigation and production purposes of the masses who reside scattered across this vast, sparsely population region.

There is, at present, no rail or water transportation in Xizang, and the only air routes are from Lhasa to Chengdu and Xi'an. Because of this, highway transportation is the economic lifeline of the region. Total highway mileage in the region comes to 21,551 km. In addition, there is one county, 18.3 percent of the prefectures and 36.5 percent of all townships that have no highways, which seriously hinders the development of Xizang's various advantages. There have been plans afoot for some time for the construction of a railroad in Xizang, but judging from present conditions, it would be difficult just to get back the investment in such a railway within a short period of time. This is because only 200,000 tons of materials are transported into Xizang each year, and only 40,000 leave the region. As the total population of the entire region is not even 2 million, both passenger and cargo carrying capacity is quite limited. In addition, a railroad to Xizang would have to be built over frozen ground at high altitudes over a mountain range and requiring complicated engineering and technology. Unit distance investment would far exceed that of all other railways nationwide, maintaining it would be difficult, and the amount of capital presently available for capital investment in China is limited. Therefore, air transport should be developed to further open Xizang up to the outside and improve internal communications. In addition to improving the present main highway trunk lines between Xizang and Qinghai and Sichuan, as part of local transportation construction, highways connecting Naqu and Changdu, and Ando and Shiquanhe should be built in order to further improve the highway network centering around Lhasa, strengthen urban-rural connections and promote economic prosperity regionwide. Secondly, exploration work of the middle reaches of the Yaluzangbu River should be augmented and boat transport developed. This would not only have the advantage of enabling the transport of large cargo volume, with little (energy) consumption, but would shorten travel between Lhasa, Rikeze and other major cities and towns in the Shannan area concentrated along this section of the river, which would be of major significance to the development of the entire river basin.

(1) 表3 西藏、青海主要工业行业产值比较

(2) 1982年 (3) 单位: 万元

	(4)	(5)	(6)	(7)
	食品工业	毛纺工业	皮革工业	森林工业
(8) 西藏	1,200	2,500	316	1,600
(9) 青海	27,200	12,400	3,000	2,100

Key:

- (1) Table Three A Comparison of Output Values for Major Industries in Xizang and Qinghai
- (2) 1982
- (3) Unit: 10,000 Yuan
- (4) Foodstuffs Industry
- (5) Woollen Industry
- (6) Leather Industry
- (7) Forestry Industry
- (8) Xizang
- (9) Qinghai

1. Foodstuffs Industry. Along with the growth of Xizang's population, the raising of the people's living standards and the development of the economy and tourism, the people will have even more and greater needs for food variety, quality and quantity. Xizang has abundant grain, oil, meat and milk, all products needed in the development of a foodstuffs industry. The foodstuffs industry is characterized by the small amount of investment needed, fast results and good returns. It could also resolve the problem of long distance transport of pastries, beer and other products into the region.

2. The Woollen and Leather Industries. Xizang has vast raw materials for the production of animal products. Due to the backwardness of its technology, many natural resources have not been fully utilized and inferior products are manufactured from high quality raw materials. Each animal in stock produces an output value of 0.83 yuan of wool or leather, while in Qinghai the figure is 7 yuan. While meeting the tasks given by the state for the allocation of pelts and wool outside the region, the scope of production should be expanded, processing intensified, utilization items increased and advanced technology imported to develop in the direction of the production of high quality products.

3. Construction Materials Industry. Xizang's forestry industry provides an industrial output value of 95.2 yuan per cu m; the national average is 222 yuan. In 1982 Xizang produced 3 times as much timber as Qinghai Province, but its output value was only three-fourths that of Qinghai's. Based on the prerequisite of preserving natural resources, the overall utilization rate of lumber should be raised, and fiber board, plywood, particle board, and furniture ought to be produced. Tree branches and sawdust should be used to develop the paper industry.

4. The Ferrous Metals Industry. Xizang produces plenty of ferrous metals, and has much potential for development, especially since the shift of China's strategic focus for economic development from the east to the west of the country, which will strongly affect the industrial base for ferrous metals.

D. Strive to Develop the Tourist Industry

In the 4 years since the establishment in 1979 of a travel agency in Xizang, not even 10,000 foreign tourists have been received here. This does not correspond with the region's advantageous natural resources. In 1982, neighboring Nepal, a country with an area only 11 percent that of Xizang's, was visited by 180,000 foreign mountain climbers, earning a revenue that was two-fifths of the nation's foreign exchange revenue. The main reason for this is that Xizang does not have sufficient tourist facilities, so many tourists and mountain climbers are refused entry.

E. Greatly Develop Intellectual Resources, Strive to Raise the Technical Knowledge and Cultural Level of the Laborers

The enhancement of human quality and the development of intellectual resources is playing a decisive role in Xizang's modernization drive.

With its vast territory and material wealth, Xizang has much potential for economic development. Plus with the support given by the state, there ought to be sufficient conditions for the region to become wealthy. However, due to the lack of personnel, many things that should be done have not yet even begun, and some things that have been started have not yet been completed. With its vast area and sparse population, Xizang lacks ample labor resources, and the high altitude, cold and lack of oxygen affects labor intensity. The wages of processing industry workers are generally more than 70 percent higher than in the rest of China. Therefore only by raising labor productivity, reducing wage costs, increasing enterprise returns, developing technology-intensive industry and utilizing as much as possible advanced technology and equipment from the interior in order to reduce the number of production personnel and relieve labor intensity will there be good prospects for development. If we wish to find a shortcut and skip over some traditional stages, the key lies in personnel. The fundamental way to solve this problem to do a good job of education. According to the 3d national census, the number of secondary school students per 1,000 persons in Xizang is one-fifth that of the national average; for elementary school pupils that figure is less than one-half, while the illiteracy rate is double the national rate. Of all the workers in the region's industrial bureau system, 4 percent are university or technical college graduates, 2.1 percent are technical secondary school graduates, 3.3 percent are senior middle school graduates, 19 percent are junior middle school graduates, 46.8 percent are elementary school graduates and 24.8 percent are illiterate. If Xizang is to develop, the scientific, cultural and technological level of the entire nationality must first be raised. From now on, in addition to exporting various kinds of personnel needed in construction from the interior to Xizang, conditions must be created to accelerate the development of education in the entire region. The development of institutions of higher learning and technical middle schools must dovetail with the needs involved in fully using the region's natural advantages. Vocational training for employees must also be stressed, and the laborer's scientific, technical and management knowledge must constantly be enhanced in order to increase labor productivity. Great efforts must be made to gradually make basic education more widespread and to cultivate a great reserve army of up-to-standard laborers.

F. Developing Advantages Requires Paying Attention to the Ecology

Along with the daily growth of the region's population and of man's material needs and the progress of modern science and technology, the scope of man's utilization of natural resources and the intensity of that utilization will also continue to expand and grow (sic). In the development of Xizang, the experiences and lessons of regions at home and abroad that began their development earlier should be accepted in order to achieve the goals of high production returns and continued utilization.

The development of Xizang's geothermal energy will not be pollution free as people imagine it. According to information from the Yangbajing Electric Power Station, of the 50 different elements contained in minute amounts in hot water, fluorine and arsenic can be harmful to the health. Therefore while developing this resource, we must improve research to prevent pollution of near water, earth and humans. From now on newly built factory and mining enterprises must pay attention to environmental protection from the very beginning to enable Xizang to become a province without a "public menace."

FINANCE AND BANKING

FUNCTION OF INSURANCE IN CHINESE ECONOMY DISCUSSED

Hong Kong LIAOWANG [OUTLOOK] OVERSEAS EDITION in Chinese No 28, 14 Jul 86
pp 17-18

[Article by Chen Zhonghsiang [7115 0022 5980]: "The Function of Insurance in China's Economy"]

[Text] The insurance business in China has at present, permeated into industrial and agricultural production, commercial circulation, transportation and communications, foreign trade, science and technology, and every aspect of social life, becoming an important component of China's national economy.

The Rapid Development of the Insurance Business

During the Sixth 5-Year Plan (1981-1985), China established more than 130 insurable categories, of which more than 80 were related to foreign dealings, for a total income of 8.5 billion yuan in insurance premiums. Average annual growth rates were 40 and 10 percent for domestic and international sales, respectively. During that period, 3.3 billion yuan was expended for losses due to disaster or accident, 1.88 billion yuan in profit tax was handed in to the state and 2.8 billion yuan in insurance responsibility preparatory funds were retained. From this it can be seen that the development of China's national economy has spurred the development of the insurance business, and that the development of the insurance business in one respect, reflects China's daily growing and improving economic system.

Seven Major Functions Becoming Increasingly Clear

The thriving development of China's insurance business has played an obvious role in the country's modernization drive and in guaranteeing the quality of the people's material lives. Its major functions are reflected in the following ways:

--It has brought about vast social benefits as relates to economic compensation for disasters and accidents. With China's vast territory and huge population, there will always be floods, typhoons, landslides, hail, and other natural disasters occurring in some regions. Fires and other accidental occurrences are common everywhere. Due to the growth of urban-rural commodity flow and the number of transportation vehicles, traffic accidents have increased

correspondingly. Therefore, huge sums of monetary compensation from accident or disaster insurance is spent every year. Due to the huge flooding caused by 1985's ninth typhoon, the provinces of Liaoning, Jiling, Heilongjiang, and Shandong suffered serious property loss. Many crops and houses were destroyed, and quite a few enterprises were forced to stop production. However, the more than 200 million yuan paid out in compensation from insurance companies greatly reduced the amount of expenditures for relief coming from local financial sources and civil affairs bureaus. While reviewing relief work, the Liaoning Province Disaster Relief Command Headquarters came to the conclusion that insurance had performed meritorious service. During the great fire of 1985 in Yichun City, Heilongjiang Province, nearly 2,000 enterprises and residents suffered serious losses and over 7,000 people were left homeless. After receiving more than 10 million yuan in insurance compensation, many members of the masses were moved to the point of tears and lost no time spreading the news. As a result, long lines could be seen in the city for a time of people desiring to purchase insurance.

--Insurance is good for the continuance of the overall economic reform. Before the reform, many enterprises did not pay any attention to insurance because everyone could eat from the "same, big pot." After the economic reform, some enterprises implemented systems of production-related responsibility and a separation of government and enterprise came into being, causing enterprises to evolve into autonomously functioning economic entities responsible for both losses and profits, smashing the "same, big pot" and leading to an increase in risk and responsibility. Therefore, many enterprises utilized insurance funds to relieve the workers' worries about the possibility of not being able to make a living. After participating in an insurance plan, the enterprise can transform uncertain elements and unpredictable losses in operations into a small amount of fixed insurance premiums. Once accidental losses occur, or when workers need social welfare guarantees, economic guarantees can be legally obtained via insurance, which plays a positive role in ensuring the smooth operation of business enterprise accounting and in stabilizing and augmenting confidence in the overall economic reform.

--Insurance is beneficial to the smooth operation of state financial credit planning. After the economic reform, enterprise needs for capital are now resolved via credit, which has greatly increased the circulation of credit funds. When some enterprises failed to meet repayment responsibilities on time due to unexpected losses in the course of circulation, terms of credit frequently had to be extended. The provision of insurance compensation has ensured loan repayments, reduced the extension of credit terms, and increased the turnover rate for credit funds. It also has lightened the state's financial burden and promoted to a definite degree, financial and credit stability.

--Insurance enhances the development of agricultural commodity production and scientific farming. The various specialized and key households in the countryside all currently share the same nagging worry--the fairly serious threat born by natural disaster and accidents given current conditions in China. Therefore, assisting the peasants in overcoming the threat of disaster and in resolving the

problem of circulation funds is an important part of rural work. In the past few years, China has greatly developed rural insurance and initiated various kinds of insurance policies suited to the needs of specialized households, such as insurance relating to the cultivation of cotton, watermelons, grain, fruit and lumber trees, to the raising of cows, pigs, deer, martens, rabbits, chickens, ducks, and fish, and to the transportation of agricultural products and so on. This has created yet another layer of security for agricultural production, and in stabilizing the peasants' mood concerning agricultural production. For example, the creation of watermelon hail insurance in Beijing's Daxing County in 1985 alleviated a nagging worry of local watermelon farmers and led to the expansion of watermelon cultivation area. In addition, the melon farmers can now wait until the watermelons are ripe before harvesting them which has improved the quantity and quality of melons supplied to city markets.

--Insurance promotes the enhancement of social welfare insurance for the workers of collective enterprises. At present, due to the fact that a system of labor insurance for the collective enterprises in China's cities and countryside has not yet been implemented, the workers are concerned about the lack of any social guarantees and are reluctant to join collective enterprises. Since 1984, provinces and cities throughout the country have initiated old age and retirement insurance for collective workers (plus health insurance), resolving the workers' problem of post-retirement finances for the basic necessities of life, giving them a sense of security about their future so that they can settle down to work for the collective enterprise. In addition, in response to the increasing material needs of the people, various forms of personal, individual insurance have been initiated in China, such as group life insurance, simple life insurance, dependents' education insurance, student safety insurance, and various kinds of accident and disability insurance. Various organizations and individuals can purchase insurance based on their own economic situation. This is a form of supplementary guarantee for social insurance.

--Insurance creates a good environment for attracting foreign technology and investment. Since the implementation of the open door policy, China's foreign trade has constantly been growing. In the past few years, the scope of insurance related to foreign concerns has grown increasingly broad. In particular, in order to adapt to the needs involved in importing foreign capital and advanced technology in recent years, China has enhanced its ability to compete in the international insurance market and has initiated a broad spectrum of new types of insurance, such as machinery damage loss insurance, computer insurance, atomic energy insurance, and satellite insurance. For foreign capital ventures, there are policies for cash insurance, profit loss insurance, employer responsibility insurance, employee loyalty insurance, and so on. All of this has enabled the foreign businessman to obtain the insurance guarantees he needs, has created a good atmosphere for investment, has eliminated their worries about investing in China, and has been helpful in promoting foreign interest in investing here. At the same time it can increase non-trade-related foreign exchange revenue for the state.

--Insurance can support the management of hazardous occupations, prevent losses due to disaster and provide assistance for the promotion of security for

social production and living standards. In addition to the responsibility to provide post-disaster economic compensation for insured parties, Chinese insurance firms also energetically participate in management work to prevent disaster and loss. Insurance companies across the nation always maintain contacts with local public security and fire control departments, transportation safety management departments, and flood control headquarters to support them in their work to improve management over disaster and loss prevention, and in their propaganda and inspection work. They also assist insured units in reviewing their experiences in disaster prevention and make suggestions for disaster management. Every year a definite percentage of insurance premiums is retained to help prevent disasters, assist enterprises and various appropriate departments in improving their disaster prevention and security facilities, and in enhancing their ability to combat disaster once disaster occurs.

Accelerate the Pace of the Promotion of Reform

In order to make China's economic structure more rational, and to develop more completely the commodity economy, insurance should serve and complement reform. Therefore, it is imperative, under such circumstances, that the pace of the development of insurance be accelerated.

First, according to the Seventh 5-Year Plan (1986-1990), the problem of enterprises all eating from "the same big pot" is to be further eliminated. The enterprise shall become an autonomous, socialist commodity producer and manager responsible for its own profits and losses. At the same time, China will implement a "bankruptcy law" which places the responsibility for an enterprise stopping production or going into bankruptcy due to financial and economic losses incurred during production and operations on the enterprise itself. Normal, legitimate competition will begin among enterprises. Therefore, the insurance sector must correspondingly initiate various forms of property, responsibility, and "waiting for job assignment" insurance, so that the workers of bankrupt enterprises can have economic security and to enable enterprises that face varying degrees of risk to initiate competition.

Second, since the "help the poor get rich" policy must be continued in the countryside during the Seventh 5-Year Plan and commodity production must be developed, the peasants have raised new demands relating to insurance for the threat of natural disaster and also for scientific farming. Peasants who have become wealthy and township and town enterprises also need the security of insurance. Therefore, during this period, energetically reforming the rules and regulations for rural insurance, developing new rural insurance forms, and supporting agricultural production and the development of the rural economy are important parts of insurance work.

Third, along with the development of the economy, the material living standards of the Chinese people will be constantly raised. This elevation of the standard of living and level of consumption is in direct proportion to social welfare-related insurance guarantees required during the course of birth, aging,

illness, and death. Since China has a population of 1 billion people, the creation of diverse forms of personal insurance for citizens is an avenue for the absorption of consumption funds to be used for capital construction. At the same time, an embryonic system of social guarantees will be created in China during the Seventh 5-Year Plan, uniting and coordinating social insurance with social welfare and relief.

Fourth, since during the Seventh 5-Year Plan China will continue to implement the policy of opening to the outside world and greatly increase economic dealings and trade with foreign countries, the potentialities of developing foreign-related insurance and international new reinsurance will also grow a great deal, in particular in the fields of China's space flight technology as applied to commodity exporting and satellite insurance, which will be helpful in enhancing the reputation and competitive ability of Chinese insurance on the international insurance and reinsurance market.

In its bold entrance into society, the Chinese insurance business has caught the eye of people in economic theory circles. At the recent "Symposium on Development Strategy for China's Insurance Business" jointly sponsored by the China Economic and Technological Research Association and the China People's Insurance Co., experts expressed the unanimous belief that in the realm of China's socialist modernization and economic construction, insurance, like the field of finances and credit, is a lever for the state in implementing the redistribution of capital and in readjusting the economy; insurance is the economy's stabilizer and a booster of the people's morale. Economist Yu Guangyuan [0060 0342 6678] predicted at the conference that "The development of China's insurance business will bring major benefits to the development of the entire society and economy that some people cannot imagine."

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SMALL-SCALE ENTERPRISES

TOWNSHIP, TOWN ENTERPRISES IN SHANXI DISCUSSED

Beijing ZHUANYEHU JINGYING BAO in Chinese 3 May 86 p 3

[Article by staff correspondent: "Shanxi Township and Town Enterprises Must Maintain Stable and Coordinated Growth"]

[Text] In 1986, the growth rate of Shanxi township and town enterprises must increase 15 to 16 percent over the previous year. The three cogs in the wheel (enterprises that are jointly run, jointly run with households, and individually run) must grow more rapidly at a rate of 19.6 percent; the two cogs in the wheel (those enterprises run by townships and villages) must grow at a rate of 12.1 percent.

It is necessary to increase the growth rate of those industries which can be individually run and run by households and to gradually tend towards cooperation and head along the path of common prosperity.

According to statistics, in 1985 there were over 327,500 township and town enterprises in Shanxi, more than double the number of 1984. They employed some 2,147,800 people, or 28 percent of the total rural labor force. The total output value was 8,578,000,000 yuan, an increase of 54.28 percent over the previous year. Twenty-seven counties had an output value in excess of 100 million yuan. Of these, nine had an output value in excess of 200 million yuan. The gross income reached 6.89 billion yuan, an increase of 52.5 percent over the previous year. Net profits amounted to 1.35 billion yuan, an increase of 37.8 percent, and 450 million yuan were handed over to the state in taxes, an increase of 40.7 percent over the previous year. Both the rate of growth and results have improved. This year the First National Provincial Work Conference for Township and Town Enterprises convened in Gaoping by the Shanxi Provincial CPC Committee and the provincial people's government approved the "Proposal for the Reform of Shanxi Township and Town Enterprises." It has played a significant role in promoting the sustained, stable, and coordinated growth of township and town enterprises. The Shanxi Bureau of Township and Town Enterprises successively held a "Meeting on the Production and Marketing of Products From Shanxi Township and Town Enterprises" and "Discussions on Shanxi Urban and Rural Economic and Technological Cooperation." As a result the development of township and town enterprises reached new levels. What are the characteristics of growth in township and town enterprises in Shanxi? How can we maintain, stabilize, and coordinate this growth in the future? To answer these questions the correspondent of this paper stationed in Shanxi went to visit Comrade

Li Tingwei [2621 1694 1218], director of the Shanxi Bureau of Township and Town Enterprises.

Director Li pointed out that there are five characteristics in the development of township and town enterprises in Shanxi:

1. The pace of development of enterprises jointly run with funds raised by peasants and household-run enterprises has been rapid. They form a diverse and multilayered structure. The proportion of such enterprises in the number of township and town enterprises throughout the province grew from 51 percent in 1984 to 78 percent at present. The proportion of people employed by these enterprises out of the number employed by township and town enterprises throughout the province increased from 20 percent in 1984 to 40 percent today. The proportion of their total output value in the total output value of township and town enterprises throughout the province increased from 15 percent in 1984 to 34 percent.
2. Urban and rural areas have joined together and there had been new expansion in industrial and agricultural joint operations. Numerous township and town enterprises have used the principles of voluntary participation and mutual benefit to implement various forms of economic and technological cooperation with large and medium-scale enterprises and scientific research units.
3. We have vigorously promoted the "the three kinds of materials" and encouraged the further development of raw material industries. We have actively implemented the directive of Comrade Hu Yaobang handed down during his inspection of Shanxi which urges us to focus on the development of industries involved in producing metal materials, construction materials and industrial chemical building materials. The total capacity of small blast furnaces already in production amounts to 3,000 cubic meters. At present, the capacity of small blast furnaces being set up is 700 cubic meters. Pig iron production capacity has reached 1.4 million tons. The number of small cement plants has grown to 282 and the total production capacity is 900,000 tons. Other industries for products such as coke, calcium carbide, ferroalloys, and industrial chemicals are growing quite rapidly.
4. We have focused on speed, emphasized results and both have improved. In 1985, the total output value of township and town enterprises throughout the province ranked 12th in the nation, gross income ranked 14th, taxes paid to the state ranked 9th and profits ranked 8th. We have taken the preliminary steps toward changing the backward situation.
5. We have stressed importation and using compensation trade to bring in technology, capital and skilled personnel. We are already cooperating with 22 provinces and cities. In all, 18,900 skilled personnel and 489 million yuan have been brought in.

This reporter asked: What are the specific methods for the expansion of township and town enterprises in Shanxi during the Seventh 5-Year Plan?

Director Li responds making the following three points:

First, we must maintain a regular rate of growth. Since we got started late, township and town enterprises in Shanxi generally are still in the development stage. Thus, it is necessary to continue to accelerate expansion.

Second, we must make good arrangements for construction and transformation. Under the present conditions of equipment technology in township and town enterprises in Shanxi, there are many raw material industries. The proportion of semiprocessing industries is large and economic results are poor. Thus it is necessary to focus on transforming enterprises. As for those "incomplete" construction projects, it is necessary to determine whether they have been built, whether construction has been delayed and whether to guide them to convert to other products. This will facilitate the concentration of forces, ensure that major projects are built, put into operation, and yield results.

Third, we must study the establishment and development of township and town enterprises in impoverished mountain areas and help change the face of impoverished areas. The CPC Central Committee and the State Council have asked that the leadership at all levels and each department give priority to helping those most troubled areas in which the people are still inadequately clothed and fed. To date, in Shanxi there are still 32 townships and 3,412 villages which have no township or town enterprises due to poor economic conditions. We must help impoverished areas develop township and town enterprises.

In conclusion, Director Li said: Nineteen eighty-six is the first year of the Seventh 5-Year Plan. We must take a step forward and overcome the hurdles of various disadvantageous factors and solve existing problems. We must strive to turn the superiority of Shanxi's resources into commercial superiority and then go further and change it into economic superiority so that the township and town enterprises of Shanxi can maintain stable and coordinated progress.

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SMALL-SCALE ENTERPRISES

GUIDELINES FOR SMALL-SCALE ENTERPRISES PRESENTED

Hefei ANHUI RIBAO in Chinese 20 May 86 p 2

[Article by Meng Fulin [1322 1381 2651]: "Strengthen Leadership, Strive To Advance, Continue To Steadily Develop Township and Town Enterprises"]

[Text] Since the beginning of this year, township and town enterprise in Anhui Province has developed steadily. Gross output value for the first 4 months of the year reached 2,687,000,000 yuan, an increase of 29.3 percent over the same period last year. Industrial output value reached 1,455,000,000 yuan, for a 9.5-percent increase compared to the same period last year. The overall development trend has been a good one, but some new situations and problems have emerged, the major one of which is: the fairly large decrease in output value for household- and combined household-run enterprises; the slow pace of development of township and town primary industries; serious shortages of credit and capital; failure to understand the difference between normal economic activity and the policy on correcting unhealthy tendencies in party and enterprise rectification work in some areas; the inability of the leadership of some areas to understand that "without agriculture, there can be no stability, without industry there can be no wealth, and without commerce, the economy will not be stimulated," and laxness in working with township and town enterprises. If these problems are not promptly resolved, it will surely have an adverse effect on the sustained healthy development of the province's township and town enterprises. We must adhere to the implementation of the Central Committee's principle of "providing enthusiastic support, rational planning, correct leadership and improved management," constantly strengthen macro-economic guidance and enthusiastically seek to seriously resolve problems and difficulties of township and town enterprises to enable them to develop in a normal and stable manner. The following six problems are of major concern at the present time:

1. Strengthening leadership and providing services: During the Sixth 5-Year Plan, township and town enterprises in Anhui achieved startling successes, "doubling growth rates in six different areas." Compared to 1980, in 1985 the number of such enterprises increased 20-fold to 890,000; the number of personnel involved grew 3-fold to 3.46 million; gross output value increased 5.3-fold to 8.55 billion yuan; net profits increased 4.3-fold to 990 million yuan; taxes submitted to the state increased 9-fold to 280 million yuan; fixed assets grew 1.3-fold, to 1.79 billion yuan. We should cherish these hard-won

achievements and strive to consolidate and develop them. Leadership at all levels should fully understand that without the creation and expansion of township and town enterprises, the rural economy cannot thrive and flourish, and the economy of the province cannot be revitalized. According to an analysis of statistics, during the Sixth 5-Year Plan, township and town enterprises throughout the province provided agriculture with more than 120 million yuan of construction funds, shifted 3.46 million surplus rural laborers out of agriculture, paid more than 2.65 billion yuan in wages to employees, and processed and transformed nearly 600,000 tons of edible vegetable oil and 43 billion jin of grain. Remarkable economic and social benefits were obtained. We must definitely continue to strengthen this economic pillar--township and town enterprise--and take it as a major component part of the province's economic development, giving it great support. We must adhere to the reform and continue to engage in overall planning, provide information, do a good job of services, and guide it toward healthy development. Each responsible leading comrade in CPC committees and government at all levels should personally attack the problem. Grassroots rural cadres must genuinely do a good job of enterprise rectification and implement various supportive measures. Village cadres can be like those of Yangwan Village of Luting Township of Tongcheng County, each of whom took on responsibility for and stimulated and enlivened one enterprise. We advocate that grassroots cadres take the lead in work with enterprises, lead the masses to enrich themselves through hard work, and gradually create various service systems for the development of township and town enterprises for the training of personnel, quality inspection, and control, and the providing of information, technology, enterprise consultative services, and so on.

2. Broad contacts, greatly developing lateral relations: Township and town enterprises in the province at present have few lateral economic relations, and technology, capital, and personnel are being brought in at a slow pace and on a small scale. We should further liberate our thinking, eliminate obstacles and take strong measures to expand the scope and frequency of our lateral contacts, and enhance our competitiveness and adaptability. Feidong County took good advantage of the fact that it is a point of convergence for fertilizer in the province to energetically begin economic and technical cooperation projects with urban units and departments, such as state-run enterprises, universities and technical schools, research institutes and local military units. They made full use of the city's advanced science, technology, equipment, and management methods and consumer and labor markets to spur on the development of township and town enterprise. Wangtie Township entered into a joint venture with the local naval unit to build the Donghai Cement Factory which has already begun operations. Plans are now afoot to expand production to 100,000 tons per year. It is estimated that a profit of 1.5 million yuan can be realized this year. Last year Fanchang County imported a total of more than 17 million yuan in capital, 28 technological projects and 52 new personnel, and introduced 65 new products in one year, causing thriving growth in the county's township and town enterprises, and a newly increased output value of 91.57 million yuan, or half of township and town enterprise gross output value. The experiences and methods of these counties are worth studying and emulating.

3. Making the best use of circumstances to develop specialized commodity production in which each village focuses on one product; guiding household- and combined household-run enterprises to gradually adopt centralized methods of purchasing raw materials, marketing products, and training personnel and engaging in decentralized processing; providing a series of services to township and town enterprises, constantly enhancing their operational level, such as: most of the 363 households in Jiannan Village of Changle Township of Feidong County are engaged in ship and woodwork production. A ship and woodworking Service Company has been established in the village that has put into practice the "five centralizations": centralized bank account remittance, centralized handling of business affairs with the outside, centralized payment of taxes, centralized submitting of management fees and accumulation to the village and production brigade, and unified product sales prices. In 1980 output value for the village was 250,000 yuan. In 1985 that figure grew to 3.4 million yuan, a 12-fold increase. Products were marketed in 15 provinces (cities), and 170,000 yuan in taxation were submitted to the state and 100,000 yuan in accumulation was handed in to the village. The peasants' net income was more than 700,000 yuan and average per capita income in the village was 835 yuan (1,200 yuan for households engaged in ship and woodwork production). Most people now have televisions, and have built new homes. The village has also opened a culture room and begun plans for a new peasant village. Their experiences show again that adapting to local circumstances, and taking advantage of traditional technology to promote the specialized production of one or a few products for each village and township and encouraging many households to run enterprises is beneficial to developing the local economy, to bringing in volumes and competitive edge, and to enhancing the competitiveness of products. At present, attention must also be paid to unified, coordinated production, so that there can be a rational division of labor between village enterprises and household- and combined household-run enterprises and a coordinated development characterized by a relationship of mutual supplementation and service. Different industries should serve each other and different processes should be integrated in production; products of different quality should be processed in different factories; the same products can be manufactured in a coordinated fashion. At the same time attention should be paid to reviewing and promoting the experiences involving larger factories leading the small, one factory leading the many, with the "dragon's head" in the cities and towns, and its "tail" among the many peasant households.

4. Raising funds and bringing in capital through diversified channels; the proper use of live capital: There is more than just one outstanding problem relating to township and town enterprise funding at present. This requires that each locality take strong measures to open up sources of capital: a) do everything to accelerate the pace of capital turnover; b) encourage the peasants to save and borrow; c) construct and improve finances at the township level and arouse enthusiasm at the grassroots for amassing wealth; d) initiate compensation trade; e) bring capital into the factory. In summation, we have to think up many ways to develop capital resources, to mobilize scattered funds within and outside the budget and from the local area and the outside to rationally allocate, concentrate, and utilize funds and strive to obtain the greatest possible economic results.

5. Adhering to liberalizing policy and strengthening support: In order to alleviate the real shortages of funding, energy, and materials of township and ship enterprises, leadership at all levels and relevant departments must give full, enthusiastic support and assist the enterprises to gradually form an organically integrated moving mechanism with plans, markets, microeconomic stimulation and macroeconomic control. First of all, in the implementation of policy, attention should be paid to the providing of encouragement and support. The relevant policy decisions of the Central Committee and province on supporting the development of township and town enterprises must gradually be implemented. Banks must extend credit promptly according to plan and offer support as much as possible. Appropriate attention should currently be paid to taking care of the needs of township and town enterprises in grain, oil, and fodder processing, to avoid dulling the peasants' enthusiasm for running agricultural byproducts processing enterprises. Second, in everyday work, it must be realized that township and town enterprise is an integrated industrial form which requires overall planning that encompasses all aspects. Hefei City has decided that overall consideration is to be given the distribution of energy and raw materials to state-run, secondary light industrial and township and town enterprises by the city economics commission. This is a method worth studying. All counties should rationally and appropriately distribute some of the materials allocated from the provincial and prefectural (city) planning commissions to township and town enterprises, thus primarily resolving the raw materials supply problem of these enterprises via the regulatory role of the market, while also providing necessary state support.

6. Reorganizing enterprises well and delineating the scope of policies: The great majority of peasants lack practical experience, the specialized professional education, and the understanding of the relevant state industrial development goals needed to engage in township and town enterprise. Their supply of market information is poor and in some places, ideological and political work is weak. Therefore, making a concerted effort to reorganize the enterprises is quite necessary. All areas must integrate their work with the rural party rectification and further enhance ideological and political work, improve the enterprise output-related system of responsibility, completely clear up enterprise finances, strive to overcome blind onesidedness in running enterprises and enhance the intensive remodeling of old enterprises. However, in the rural party and enterprise rectification, our basic guiding ideology must be made clear--the promotion of overall economic reform and the even more thriving development of township and town enterprise and the further stimulation of the rural economy. Based on the spirit of the relevant directives of the Central Committee and some experiences at the provincial and city level, the following six demarcation lines should be delineated: a) the difference between dealing in the various raw materials needed by township and town enterprises and the illegal resale of goods in short supply; b) the difference between the multichannel, diversified readjustment of the supply of surplus goods and illegal resales; c) the difference between normal negotiated prices and the illegal raising up of prices for profit; d) the difference between the legitimate socialist necessary in doing business and such unhealthy tendencies as banqueting and indulging in drinking; e) the difference between implementing the output-related system of responsibility, earning more according

to one's labor after the fulfillment of contract norms and the violation of financial discipline and the indiscriminate issuing of bonuses; f) the difference between problems that occur in economic activities due to lack of experience and knowledge and illegal, criminal acts. In distinguishing the above differences, specific analyses must be made of specific problems which must be prudently handled. Of course, we must educate all personnel in township and town enterprises so that they will be disciplined, obey the law and not break it, work honestly for the public good, and not seek personal aggrandizement. In summation, township and town enterprises must be made to develop within the greater socialist economy in a coordinated fashion with other economic elements to reach a state of thriving prosperity together.

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SMALL-SCALE ENTERPRISES

GREAT ADVANCES IN TOWNSHIP, TOWN ENTERPRISES REPORTED

Beijing NONGMIN RIBAO in Chinese 28 May 86 p 1

[Article by Zhang Guangshun [1728 1684 7311]: "Township and Town Enterprises Continued To Make Great Advances Nationwide Last Year; the National Economy's Little Brother, Fresh Troops for the Four Modernizations"]

[Text] According to statistics provided by the Township and Town Enterprise Bureau of the Ministry of Agriculture, Animal Husbandry, and Fisheries, China's township and town enterprises overcame various difficulties in 1985, and showed a historically unprecedented high level in gross output value, gross revenue, profit taxes, and major product quality. The year 1985 showed the most rapid development of all the years of the Sixth 5-Year Plan.

According to the statistics, in 1985 there were 12,225,000 township and town enterprises throughout China, an increase of 6,160,000 over the year before. The number of enterprise staff increased to 69.79 million persons, showing an increase from 14 to 19 percent of the proportion of the total labor force over the year before. Gross output value reached 272.84 billion yuan, for a 43-percent increase over the year before according to comparable specifications. The construction industry, commerce, and the food products and service industries grew 45.2 and 54.9 percent, respectively. Total enterprise revenue reached 256.56 billion yuan, a growth rate of 47.2 percent according to comparable specifications. Enterprise net profit grew to 28.74 billion yuan and 13.72 billion yuan in taxes were handed in to the state. In places where township and town enterprise is developed, taxes from such enterprises have become the major revenue source for local finances.

In 1985, growth of production volume of township and town enterprises was relatively rapid. The amount of electricity generated increased 27.1 percent; raw coal production, 12.7 percent; concrete, 50.1 percent; granite, 106.3 percent; arts and crafts, 41.7 percent. While developing township and town enterprise, all regions have improved product quality management and have begun competitive activities to promote the production of high-quality name brands, thus raising the quality of many township and town enterprise products and enhancing their competitiveness. According to

statistics, in 1985, township and town enterprise products were designated national-level excellent products, 225 were named ministry-level excellent products, and 17 were awarded prizes at the ministerial level for innovation in agriculture, animal husbandry and fisheries.

Along with the enhancement of product quality, township and town enterprises have now become an important source of foreign exchange via export. According to incomplete statistics, in 1985 such enterprises sold 41.38 billion yuan in export products to foreign trade departments, for a 62.2-percent increase over the prior year. Some products enjoy a fairly good reputation on the international market. Galvanized steel pipes, microwave acupuncture instruments, and other products have won international prizes.

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SMALL-SCALE ENTERPRISES

MEASURES FOR TOWNSHIP ENTERPRISE FUNDING DISCUSSED

Beijing BEIJING RIBAO in Chinese 30 Jun 86 p 3

[Article by Li Liqiang [2621 0500 1730]: "Several Measures to Alleviate Funding Shortages of Township and Town Enterprises"]

[Text] In the last few years, the township and town enterprises of our city have developed rapidly, and the need for funding has increased greatly. In addition to the prompt extension of bank loans to compensate for this according to credit policies and planned volume, potential sources for funding must be maximized. According to a survey of the situation in a county in the suburban metropolitan area of Beijing, potential funding sources for township and town enterprises can be found in the following three areas:

A. Due to poor, confused financial management of many enterprises, there is an irrational outflow of funds. According to preliminary statistics, 54.6 percent of the amount of depreciation on fixed assets was not recovered in 1985 and only 21.9 and 44.7 percent, respectively, of enterprise funding and supplemental social expenditures tabulated before taxes were recovered. One-half of county revenue derived from reduction and waiver of taxes were divided out as enterprise profit. The losses stemming from these four types of false enterprise profit alone were equivalent to 5.8 percent of all enterprise utilization for the same period, and led to inconsistencies in enterprise production costs. Revenue necessary to maintain simple reproduction fell short of expenditures.

B. Township and town enterprises do not retain enough profit, which makes it difficult for them to stock their own funds. At present, according to a city regulation, the distribution ratio for after-tax township and town profits is 4:3:3--that is, 40 percent of after-tax profit is retained by the enterprise. However this is difficult to guarantee in the course of actual practice. According to county statistics, last year and the year before, township and town enterprises in the county retained only approximately 16 percent of profits. Most of the remainder was taken by the town and village governments for other uses. Of this 16 percent, approximately 5 percent was used for staff bonus funds and only approximately 10 percent was genuinely utilized to supplement circulation funds and production development funds. This extremely low ratio for enterprise self-provided funding is in fact the product of the "drain the pond to catch the fish" policy, and has created difficulties for the survival and development of township and town enterprises.

C. Some township and town enterprises neglect market surveys and research, neglect analyzing the conditions necessary for production and are casual and careless in selecting projects for investment to the extent that some factories built with investments of several million yuan cannot go into normal production after completion and some have to be abandoned, constituting a serious waste.

In summation of the above, the major problems of township and town enterprise funding also contain the potential for their resolution. As long as the appropriate measures are energetically taken, funding shortages can be gradually alleviated. To accomplish this, I suggest the following steps be taken soon:

1. Strengthen supervision and guidance of township and town enterprise finances. We could consider dividing the enterprises into two categories according to size. County supervisory departments would train financial officers for those of a larger scope to improve the level of management of enterprise finances. For those of a smaller scope, the county could establish, on a trial basis, one or several accounting offices to engage in accounting work, auditing and inspecting accounts and property appraisals in order to resolve the problem of enterprise lack of qualified financial management personnel. Some personnel could also be recruited from the outside.
2. Take measures to guarantee a rational distribution ratio for enterprise profits. Perhaps appropriate city departments could devise some provisions and specific measures to limit the town and village governments in utilizing funds and to ensure that the enterprise retains its 40 percent of profits earned. At the same time, in order to ensure that the enterprise uses its retained profit to supplement funding and expand reproduction, county supervisory departments should make regulations concerning the utilization ratio of retained profits.
3. Banks must strictly control loans to township and town enterprises for expanded reproduction. In particular, credit for new projects must be reduced, and the focus should be placed on "half-finished" projects and projects for which construction has come to a halt.
4. Regarding new enterprises built by the townships and towns raising and amassing their own funds, it could be stipulated that the fund-raising unit present an application to the Agricultural Bank, which would conduct feasibility studies and investigations. The amassing of credit for enterprises of a larger scope could be done by the bank, which would control the scope of capital construction by township and town enterprises.

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FOREIGN TRADE AND INVESTMENT

LI WENMIN SCORES WESTERN TRADE PROTECTIONISM

OW031000 Beijing XINHUA in English 0948 GMT 3 Sep 86

[Text] Geneva, September 3 (XINHUA)--Chinese delegate to the 33rd U.N. Conference of Trade and Development (UNCTAD) today urged developed countries to keep a tight rein to trade protectionism and "give more preferential treatment to developing nations."

The delegate, Li Wenmin, said here that while Western economies have recovered slightly, most developing countries "still find themselves in grave development crisis."

He noted a rising tide of trade protectionism among Western countries has thrown developing countries into a deeper swamp. "Trade protectionist bills directed at developing countries have been adopted frequently," and developing countries' primary products such as textiles, garment, footwear, and iron and steel "have all run into protectionist restrictions," he added. "The international community in general, and the producer and consumer countries of primary products in particular," he said, "should adopt joint measures to maintain the price of primary products at a reasonable level."

On the problem of debts haunting the developing countries, Li said the total figure of debt has been increasing at an annual rate three times the growth rate of the GNP and has flipped over 1,000 billion U.S. dollars. Unless a solution is found through appropriate arrangements, he said, "The debt problem will not only hamper the economic development of the developing countries but also seriously jeopardize the international monetary system." Li said, "The Baker initiative" has only a limited role to play in solving the debt problem, because the loans are inadequate and accompanied by harsh terms.

Last year, U.S. Treasury Secretary James A. Baker made a proposal calling for private banks and inter-government banks to increase their lending to developing countries by 20 billion dollars and 9 billion dollars respectively over a three-year period to ease the debt crisis.

Li also said China has suffered serious losses incurred by protectionism.

He stated that China has formally applied for the resumption of its status as a contracting party to GATT and is prepared to start negotiations on this issue. "In this connection," he said, China wishes to "take part fully in the new round of multilateral trade negotiations" within the organization.

FOREIGN TRADE AND INVESTMENT

DISCREPANCY IN IMPORT, EXPORT STATISTICS EXPLAINED

Beijing JINGJI RIBAO [ECONOMICS DAILY] in Chinese 4 Mar 86 p 2

[Article by Ge Xiaodong [5514 1420 0392]: "Relevant Departments of the State Statistical Bureau Answer Reporter's Questions Concerning Some of the Figures in the 1985 Statistical Report on National Economic and Social Development"]

[Text] After this newspaper ran the State Statistical Bureau's [SSB] 1985 Statistical Report on National Economic and Social Development [Statistical Report] on 1 March, a number of readers sent us letters and cables asking why the report's figures for imports and exports differed from those published by the Ministry of Foreign Economic Relations and Trade [MFERT]. This reporter went to the SSB's Department of Trade and Price Statistics to make inquiries on the matter and received the following replies.

Import-export figures contained in the SSB's Statistical Report are based on customs statistics provided by the General Administration of Customs [GAC], whose statistical classification system is formulated in accordance with international standards; whose statistical requirements, range, specifications, and method differ from those employed by MFERT; and whose resulting figures therefore also differ from those obtained by MFERT. To demonstrate this difference more concretely, I shall compare a number of items included in the breakdowns for imports and exports between January and October of 1985.

The differences in the figures listed for each item in the appended table are in general due to the following principal reasons.

1. Differences in handling materials imported for export processing or assembly. Customs separately computes the total value of the materials imported and the finished goods exported (that is to say, the value of imported parts and materials are also included in the GAC's computations). On the other hand, MFERT, due to business requirements, counts only the value added for exports and does not record imported materials (that is to say, MFERT does not include the value of imported parts and materials).

2. Differences in handling offshore entrepot trade. MFERT lists this trade as a form of foreign trade and separately records the imports and exports involved in this trade, while the GAC does not count such imports and exports

because they have not officially entered Chinese territory.

3. Differences in handling gifts and donations. Customs includes these items because they have entered or exited Chinese territory, but MFERT does not.

4. Differences in handling retail sales in domestic foreign currency stores. Customs does not count goods sold in such stores because these goods are not exported out of the country, but MFERT treats and counts these goods as exports because sales thereof are transacted in foreign currency.

5. Differences in handling direct barter trade. MFERT lists the goods involved in this trade as imports and exports, but customs does not.

6. Differences in recording time. The GAC records goods as exports at the time when the conveyances bearing those goods clear customs and lists goods as imports on the date in which those goods are approved and released for entry. MFERT, on the other hand, records exports on the date in which those goods leave Chinese port or territory and enters imports on the date in which the conveyances bearing these goods actually arrive in the first port of entry.

Some readers believe that differences in exchange-rate conversion is the principal cause of the large discrepancy between the import-export statistics published by the GAC and MFERT. This belief is mistaken, for in fact the total import and export figures of the two agencies are computed according to the official exchange rate at the time at which each good actually enters or leaves the country. There are also some people who believe that the GAC's import-export figures include personal effects and smuggled goods brought into the country by tourists. This belief, too, is mistaken, for such goods may not be listed as imports or exports.

[Please see table on following page]

Table:

(Unit: \$100 million)

<u>Item</u>	<u>Customs</u>	<u>MFERT</u>	Customs vs MFERT Higher (+) Lower (-)
Total volume of imports	323	267	+56
Imported materials for export processing and assembly	22.8	--	+22.8
Gifts and donations	4.9	--	+4.9
Entrepot trade	--	1.8	-1.8
Direct barter trade	--	4.2	-4.2
Chinese-foreign joint or cooperative ventures and wholly owned foreign enterprises	14.6	--	+14.6
Total volume of exports	212	207	+5
Imported materials for export processing and assembly	18.8	2	+16.8
Domestic foreign-currency shop retail sales	--	2.2	-2.2
Direct barter trade	--	1.9	-1.9
Entrepot trade	--	1.8	-1.8
Chinese-foreign joint or cooperative ventures and wholly owned foreign enterprises	2.3	1.5	+0.8

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FOREIGN TRADE AND INVESTMENT

SHANGHAI REPORTS GROWTH IN SUBURBAN EXPORT PRODUCTION

Beijing GUOJI SHANGBAO [INTERNATIONAL COMMERCE] in Chinese 20 Mar 86 p 1

[Article: "Foreign Trade Departments and Township and Town Enterprises of Shanghai Have Joined Together To Make Effective Use of Foreign Capital"]

[Text] According to reports from JIEFANG RIBAO, a huge export base, nurtured by the Ministry of Foreign Economic Relations and Trade, is gradually taking shape in the suburbs of Shanghai. There, 100,000 peasants directly engage in export production, and 500,000 have undertaken export production indirectly or in their spare time. 370 of the goods these peasants produce have entered the international market, and last year export procurement thereof reached 1.6 billion yuan, accounting for 16 percent of the value of exports produced by the entire municipality.

The suburbs and foreign trade enterprises of Shanghai cooperate in numerous ways and establish joint ventures or compensation trade with foreign businessmen in order to develop exports. To date, 46 arrangements have been negotiated with 10-plus countries and regions, directly or indirectly attracted \$100 million in foreign capital and linked three types of entities: foreign trade enterprises, which control channels to and possess information on international markets; town and township enterprises, which form the bases of production, possessing labor, traditional technology and factories; and foreign or Hong Kong businessmen, who can use foreign currency to import equipment, technology and raw materials. Most of these arrangements are export oriented and adaptable, employ advanced technology and equipment and produce goods that are excellent in quality, novel in design, and totally or largely sold abroad, including integrated circuits, crates, rubber soled shoes, gloves, magnetic disks, cosmetics, multifunctional telephones, electronic watches, and the like.

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FOREIGN TRADE AND INVESTMENT

FUJIAN REPORTS HEAVY USE OF FOREIGN CREDIT

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 30 Mar 86 p 3

[Article: "Expanding Production and Promoting Technological Transformation: Last Year Fujian Used As Much as \$100 Million in Foreign Credit"]

[Text] Fuzhou is vigorously using foreign credit to expand production. As of the end of last year, the entire province had signed 22 agreements employing \$200 million in loans, of which \$140 million have actually been put to use, accounting for 41 percent of all foreign capital employed in the province.

In May of 1979, the newly founded Fujian Investment Co. (Huaifu Co.) borrowed \$8 million from the First National Bank of Chicago of the United States for the purchase of ships to establish an ocean fleet, and from this point onward the province began to enter the international financial market. Subsequently, the Fujian Investment Co. borrowed \$30 million from the Chicago bank and from the First City Bank of Houston of the United States. Because the company used its foreign capital effectively, it was able to make its repayments on time and earn a good credit rating on the international market. Fujian also successfully obtained long-term low interest loans from the Kuwaiti Development Foundation to build the Xiamen International Airport and used loans from the World Bank to carry out technological transformation of the Fuzhou Electric Wire Plant, export credits from Australia to build the Shunchang Cement Plant, and the like.

The Fujian Investment Co. issued Y10 billion in bonds on the Tokyo securities market last November and floated Y5 billion in bonds in August 1983.

The company now has business ties with 70-plus reputable banks and securities firms throughout the world and has signed agreements on cooperation with 34 financial institutions in the United States, Japan, France, England, Switzerland, Australia, Canada, and other countries and regions.

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FOREIGN TRADE AND INVESTMENT

ZHENG TUOBIN, YU FEI DISCUSS FOREIGN TRADE LAWS, CONDITIONS

Hong Kong WEN WEI PO in Chinese 16 Apr 86 p 12

[Article: "China Will Draw Up a Law on Foreign Trade; Detailed Regulations Governing the Implementation of the Chinese-Foreign Joint Venture Law Are Now Being Drafted"]

[Text] In an interview in Guangzhou today, minister of foreign economic relations and trade, Zheng Tuobin [6774 2148 1755] reiterated his previous statement that Foreign Enterprise Law must be more strict with respect to such enterprises, a view to which a number of NPC delegates raised objections at the recent NPC congress.

When asked by reporters about this statement as he was attending a Hong Kong-Macao businessmen's discussion meeting at the Chinese Export Commodities Fair, Zheng Tuobin solemnly said: "The Foreign Enterprise Law deals with wholly owned foreign enterprises. Joint venture companies and foreign companies are different types of enterprises and require different legislation. If one claims that the two types of enterprises are similar, then there would be no need for two sets of laws. As to how these two types of enterprises differ, legislation has already been passed, so everyone can check this legislation for himself."

In discussing the matter of whether or not laws would be formulated to govern imports and exports to and from Hong Kong and Macao, Zheng stated that relevant rules and regulations have already been drawn up but that the government does not intend to have the NPC formulate laws to govern this trade and instead will allow relevant administrative departments to do so, because those departments must also make appropriate revisions any time changes in actual conditions occur.

Zheng stated that what China needs now is a foreign trade law and that a regular administrative system for managing foreign trade has yet to take shape. When asked how this law would be formulated, he replied that exploratory reforms are now in progress and still need more time but that such a law is important for China, and thus he hopes that it can be drawn up during the Seventh 5-Year Plan. He disclosed that drafting work is vigorously being carried out but is still in the discussion stage, and thus he could not go into the details of this work. Nevertheless, he stated that foreign trade law

must deal foremost with the issues of how to expand China's external trade relations and how to manage imports and exports and that the purpose of such legislation is expand China's external trade vigorously.

Zheng stated that the government is now drafting the Detailed Regulations Governing Implementation of the Foreign Enterprise Law and is striving to promulgate these regulations as soon as possible. He also disclosed that the Chinese-Foreign Joint Venture Law is also being drafted, but he said that it is hard to tell what the details of this law will be. Anyway, he concluded, such a law must be passed.

Chinese-foreign joint ventures were pioneered in Guangdong province, have proved to be a more effective means by which to introduce foreign capital, and have been relatively well received among foreign businessmen. Joint ventures apportion profits according to contract, provide flexible means of compensating each partner's contribution, inject capital in many ways and thus avoid many of the limitations inherent in other means of introducing foreign capital.

Yu Cheng [0060 7378] stated that in Guangdong 1,690-plus commodities are subject to export quotas. But until the provincial government can determine how much of these planned commodities should be exported, it is prepared to issue export permits so as to expand exports immediately once it is determined, after careful examination, that such exports will not undermine unified policy with respect to the outside world and will earn foreign exchange. Yu claimed that no one is certain how much of each planned commodity should be exported but that export opportunities would often be missed if the government waited until the plans come down and approval is granted before issuing export permits for each good. To assure prompt issuance of permits, the Guangdong People's Government has dispatched five teams to handle this work in Shenzhen, Zhuhai, Shantou, Hainan Dao and Zhanjiang.

Yu stated that the government of Guangdong has adopted a number of other important measures in order to expand exports, including stern crackdowns on parallel goods, the banning of purse companies, changes in the foreign trade administrative system, which has been quite chaotic since the beginning of 1985, and the like.

Miniature landscapes made of petrified, silicified wood that was formed 150 million years ago disappeared from the trade fair for a while, but the exhibits now on display are real landscape treasures in which you can discern clear growth rings, craggy pockmarked surfaces caused by natural wear and insect borings and strange and towering peaks that produce a majestic, distinctive sight.

The Dongfang Hotel food street, which opened at the same time as the trade fair, is doing brisk business. Many visitors from Hong Kong and Macao who are attending the trade fair have come to the food street to taste Cantonese snacks and seafood congee; northern snacks, roasts and stews; Chaozhou snacks and cold dishes; and the like. One can get whatever one wants at one of the six booths, and there is not a single empty seat among the 200-plus available.

Visitors to the trade fair arrived in Guangzhou early this time. According to a number of hotels, visitors made their room reservations in advance and came to Guangzhou before the trade fair opened. These phenomena were unusual at previous trade fairs.

The Huayuan Restaurant is exhibiting art works of the Lingnan school of painters and is offering these works for sale to overseas Chinese, Hong Kong and Macao compatriots, and foreign friends. The works include fine paintings by Guan Shanyue [7070 1472 2588] and Li Xiongcai [7812 7166 2088] and calligraphy by Qin Esheng [4440 8133 3932].

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CSO: 4006/976

FOREIGN TRADE AND INVESTMENT

ZHENG TUOBIN OUTLINES FUTURE REFORM IN FOREIGN TRADE

Hong Kong WEN WEI PO in Chinese 16 Apr 86 p 12

[Article: "Minister of Foreign Economic Relations and Trade, Zheng Tuobin, States That the Administrative System for Foreign Trade Will Be Greatly Transformed, That Emphasis Will Be Placed on Laying the Groundwork for Expansion, and That Reform in Recent Years Has Focused Too Rigidly on Who Should Exercise Managerial Authority and Has Overlooked Macroscopic Administrative Control"]

[Text] While attending a Hong Kong-Macao businessmen's discussion meeting at the Chinese Export Commodities Fair, Chinese minister of foreign economic relations and trade, Zheng Tuobin [6774 2148 1755], disclosed that the Chinese foreign trade administrative system will undergo a major reform, one that will not only transfer managerial control over foreign trade but will also focus on laying the groundwork for expanding foreign trade and link this expansion with reforms increasing macroscopic control over foreign trade.

Zheng claimed that, even though China lacks experience and has made a number of wrong turns in her initial reforms of the foreign trade administrative system, she has achieved undeniable success in these reforms. He also stated that reforms over the past few years have tended to focus only on the matter of who should exercise managerial control over, and have not paid enough attention to the questions of how to lay a better groundwork for expanding, foreign trade and of how to exercise macroscopic management and control thereover. This oversight, he stated, has led to many administrative problems, including that of "parallel goods." After several years of experimentation, he continued, China has obtained some experience in this work, and future reforms will make big strides ahead.

In discussing administrative problems involved in expanding Chinese exports, Zheng indicated that Guangdong province has worked hard, obtained much experience and played a big role in this area while seeking to check exports of "parallel goods" and has also gained experience in strengthening export management, especially of fresh and live exports. MFERT has been using this experience and the ideas of Hong Kong and Macao businessmen as a basis for formulating national export administrative measures, a number of which have already been implemented and proven effective.

Zheng stated that the success or failure of this spring's trade fair, the first of Seventh 5-Year Plan, will have a real effect on the completion of the plan. He also said that in the first quarter of this year China's exports rose at the highest rate in a number of years and that export conditions were still very good despite the drop in oil prices. The success of this trade fair, he reiterated, will have an important political impact and will inspire people to strive to fulfill the Seventh 5-Year Plan, and thus the success of the trade fair is the common wish and common responsibility of all those attending the Hong-Kong Macao businessmen's discussion meeting.

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FOREIGN TRADE AND INVESTMENT

HEBEI'S UTILIZATION OF FOREIGN CAPITAL

Shijiazhuang HEBEI RIBAO in Chinese 28 Mar 86 p 3

[Article by staff correspondent: "Hebei Makes Great Progress in Utilization of Foreign Funds Last Year"]

[Text] Further implementing the open-door policy, Hebei produced fairly good results in the use of foreign funds in 1985. Throughout that year, foreign funds were used on 53 new projects, including joint ventures, cooperative enterprises, compensatory trade, processing and assembling, borrowing in the name of the state and repayment by the enterprises themselves, and so forth. The funds to be used on these projects according to contracts increased 2.7-fold over 1984, and the amount actually used increased 1.6-fold.

Hebei's utilization of foreign funds had the following special characteristics:

First, among the projects in which foreign funds were used, the ratio of joint ventures was raised. Of the 53 projects, 34 were in the form of joint ventures.

Second, the number of medium-size productive projects with the investment ranging between \$3 million and \$5 million has markedly increased. The fairly successful ones among them were: the Huayan Bangdi Steel Pipe Co. Ltd., a joint venture of the Huayan Steel Pipe Technology Development Corporation of Qinhuangdao and Bangdi [phonetic] Steel Pipe Co. Ltd., of Australia; the extruded materials plant, a joint venture of the Bohai Aluminum Co., Ltd. of Qinhuangdao and the Xiaodeji [phonetic] Company of Hong Kong; the Huaguang Waterproof Materials Co. Ltd., a joint venture of the Yaohua Integrated Industrial and Commercial Corporation of Langfang, the Guanghua Industrial Company of Beijing, and the Futai Co. Ltd. of Hong Kong; the Fugao Garment Co. Ltd., a joint venture of these companies and the Dinggao Industry Private Ltd. of Singapore; and the Sanyi Atlantic Industrial Co., a joint venture of the Huabei Sanyi Aluminum Industrial Company of Zhuoxian, Baoding Prefecture, and the Atlantic International Corporation of the United States.

Third, the foreign funds are used in more diversified forms and through more different channels. Formerly, most of the investors in this province were from Hong Kong. Last year, they came from the United States, Japan, Singapore, Spain and Australia in addition. Funds were imported in more different forms. Besides joint ventures, cooperative enterprises, compensatory trade, processing and assembling, efforts were also made to

obtain certain preferential loans from the international financial organizations. For example, a loan of \$1,746,400 was obtained from the Bank of North Europe for importing the technology and equipment from Finland for keeping milk fresh.

Fourth, in importing foreign funds, attention was also paid to the importation of technology, skilled personnel and management expertise in order to improve the economic results. For example, the Xingtai Leather Plant signed a compensatory trade agreement with Spain on the processing of sheep skins and imported the advanced production techniques and scientific management methods. As a result, the period required for the softening process was reduced one half, the consumption of dyeing chemicals was reduced 30 percent, the leather output was raised 25 percent, and the appearance, quality and feel of leathers were all greatly improved.

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CSO: 4006/966

FOREIGN TRADE AND INVESTMENT

COMPENSATION CLAIMS URGED FOR IMPROPER IMPORTS

OW071405 Beijing XINHUA Domestic Service in Chinese 0646 GMT 3 Sep 86

[Text] Beijing, 3 Sep (XINHUA)--With the rate of unqualified imports into China showing an increase in the first half of this year, the State Administration of Import and Export Commodities Inspection has called on importing units concerned to claim compensation as soon as any unqualified imported goods are found.

According to statistics released by the State Administration of Import and Export Commodities Inspection, by the end of June, 8,187 out of a total 72,836 batches of imported commodities inspected by local administrations of commodities inspection did not qualify. The rate of unqualified goods has reached 11.24 percent, a 1.27 percent increase over the corresponding period last year.

Something has invariably been found wrong with the quality of automobiles imported this year. The axle beams of some of the 1,000 cars imported by the Ministry of Petroleum Industry have broken while still under warranty. Recipients of the 190 refrigerator cars imported by the Hubei Provincial Supply and Marketing Cooperative, while using those cars, found that the aluminum plates of the cars' inner wall had corroded. As they emitted a strange smell, the cars could not be used to transport food. After inspecting the cars, the Hubei Provincial Administration of Commodities Inspection found that the inner wall corrosion was caused by poisonous gas produced by chemical action resulting from the use of improper materials. The foreign company which sold the goods has paid \$100,000 for reparations.

A company in Dalian has imported a \$320,000 set of printing equipment, but it was found that most of the single-unit machines of this set were second-hand goods, including an airconditioner made in December 1971. The more than 4 metric tons of whole milk powder imported by Guangzhou City's Zhujiang Food Plant was found mixed with starch. Earth was found in the three shiploads of pig iron imported by Shanghai City. A more incredible case was encountered when inspecting polyimide stretch yarns imported for Shanghai. The Shanghai Municipal Administration of Commodities Inspection and customs opened the cartons and found no such goods, but only 700 bricks.

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CS0: 4006/1341

FOREIGN TRADE AND INVESTMENT

COMMENTARY ON ENCOURAGEMENT OF FOREIGN INVESTMENT

HK020531 Beijing GUOJI SHANGBAO in Chinese 14 Aug 86 p 1

[Commentator's article: "Create Conditions To Help Foreign Investors Make Profits"]

[Text] Recently, the State Council and various departments concerned have attached great importance to the running of currently existing enterprises using foreign capita, so that they may produce at relatively low cost and their products can be more competitive on the world market and so that China may become more attractive to foreign investors. In this respect, Dalian has adopted some concrete measures and has acted quickly, thus making a very good beginning. Shanghai has also simplified some procedures for doing things and grasped this matter firmly.

China's greatest advantage in attracting foreign investment lies in low fees for investors. If the fees charged are as high as in other countries, this advantage will soon be lost. At present, since our domestic market still cannot be entirely open to those enterprises using foreign capital, it is necessary to create conditions to promote export of their products. Some units, which regard the enterprises using foreign capital as a piece of fat meat, have seized every possible opportunity to benefit themselves by overcharging these enterprises. As a result, these enterprises find it difficult to export their products due to the high costs. If we allow things to continue like this, who will invest in China then? This is a way to kill ourselves and should be stopped immediately.

The problems of some people which arise from erroneous thinking should be solved first. As a matter of fact, since the enterprises using foreign capital concern the interests of both the Chinese and foreign sides, when they are run well, both sides benefit. Therefore, we must not fear that foreign investors will make money, but must encourage them to make more money on the basis of equality and mutual-benefit. We must overcome the influence of small production mentality and must not just look at our own small interests to the neglect of the great interests of the state in economic development.

Recently, the state has worked out some policies to improve conditions for foreign investors. We hope that some problems that can be solved by relevant localities and departments will be taken care of as soon as possible.

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CSO: 4006/1341

FOREIGN TRADE AND INVESTMENT

FAIR TREATMENT SOUGHT FOR CHINESE-FOREIGN JOINT VENTURES

Beijing JINGJIXUE ZHOUBAO [ECONOMICS WEEKLY] in Chinese 29 Jun 86 p 3

[Article by Xiao Xiong [5135 3574]: "Chinese-Foreign Joint Ventures Must Be Treated Fairly"]

[Text] Most of the representatives at the Forum on Chinese-Foreign Joint-Capital-Venture Enterprises called for fair treatment of jointly run enterprises. This is quite reasonable, but the demand of some other delegates that Chinese-foreign joint ventures be regarded as Chinese enterprises, be accorded the same protection afforded national industry and be able to enjoy the same treatment as do state-run enterprises in relation to the distribution of raw materials and spare parts is rather questionable.

A. The treatment afforded a joint-venture enterprise should be determined by its position and role. In theory, Chinese-foreign joint ventures can be undertaken either in China or abroad. When we import foreign, overseas Chinese or Hong Kong and Macao compatriot capital to the Chinese or Hong Kong and Macao compatriot capital to the Chinese mainland to create joint venture enterprises, the result is the construction of Chinese-foreign joint capital enterprises on Chinese soil, which should receive the government's protection and preferential treatment entailed in the appropriate policies. However, we cannot equate these enterprises with purely Chinese enterprises that have no foreign capital. Nor should they be allowed to enjoy the same treatment received by such enterprises, because they do not belong to the same category of enterprise. In this there can be exceptions. In theory, when investing in the homeland, if a Hong Kong, Macao, or Taiwan compatriot genuinely, consciously, and willingly indicates the desire not to receive treatment accorded to foreign capitalists and to be regarded as a domestic private investor and when such a request is accepted, he may and should receive the same treatment that a purely Chinese enterprise would enjoy. If he agrees to such treatment, his enterprise is no longer a Chinese-foreign joint-venture enterprise.

B. The joint venture should only be able to receive fair treatment as regards competition and in the forming of economic ties, and should not demand special advantages and position in such activities. As a new form

of enterprise developed on Chinese soil, the Chinese-foreign joint venture should receive necessary protection while competing with foreign enterprises and imported commodities. We encourage joint ventures to export the commodities they produce, but the key to permitting some of them to be marketed domestically is the principle of maintaining a balance of revenue and expenditure in foreign exchange. Therefore, we should appropriately limit the import of products and spare parts produced abroad and allow the joint ventures to use some of their foreign exchange savings to import raw materials and spare parts. This is the fair treatment they deserve in competition. On the other hand, we can and should incorporate the export products manufactured by Chinese-foreign joint ventures into China's export production system, so that they enjoy the preferential treatment due them as enterprises belonging to our export production base, including favorable treatment regarding the provision of raw materials, energy, communications, and transportation. This also is part of the fair treatment due them in competition. However it would be inappropriate to propose the slogan of treating and protecting the Chinese-foreign joint ventures as part of our national industry, because: 1) They are not actually national industries, but are, rather Chinese-foreign joint-capital enterprises; 2) while implementing the open door policy, the slogan of protecting national industry carries certain side effects and should not be used lightly; 3) the joint ventures should be allowed to grow in an atmosphere of international competition, and should not have the privilege of protection from that competition.

C. The joint venture should occupy a fair position in competition with China's state-run enterprises. Because we encourage the development of Chinese-foreign joint ventures, we must provide them with many favorable conditions, for example, reducing or waiving taxes for a fixed number of years, and so on, which would place the joint venture in a favorable position in competition with state-run enterprises, and would be a form of inequality. Because of this, we demand that the joint ventures adopt advanced technology and strive to achieve as much as possible, favorable balance of foreign exchange by engaging primarily in export in order to prevent them from taking over the markets of the state-run enterprises due to the search for equality amidst inequality, which would place the state-run enterprises in an unfavorable position. Furthermore, by cooperating with foreign capitalists, the joint ventures will inevitably enjoy many advantages regarding the importation of technology, raw materials, spare parts, and export products. Therefore it would be inappropriate for them to be afforded the same planned-price treatment regarding the coordinated supply of domestic raw materials and spare parts. If they were granted this, the state-run enterprises would find themselves in a totally unfavorable position in competition. This is a way of seeking equality amidst inequality. We advocate the forming of ties while protecting competition. There are both advantages and disadvantages to the competition between Chinese-foreign joint ventures and state-run enterprises. This is a normal, expected phenomenon. In order to enable the joint ventures and state-run enterprises to mutually maximize advantages and minimize disadvantages, all sorts of horizontal economic ties could and should be

developed, so that they can strive together to enter the international market. In short, it is normal for inequalities in practice to appear between the two types of enterprise. These cannot be eliminated by administrative measures. Rather, economic means should be used to promote ties and cooperation between the two so that both parties maximize each others' advantages and minimize each others' shortcomings through practice, and voluntarily cooperate for equality and mutual benefit.

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CSO: 4006/1211

FOREIGN TRADE AND INVESTMENT

ANALYSES OF JOINT VENTURE FOREIGN PARTNERS URGED

Beijing JINGJIXUE ZHOUBAO [ECONOMIC WEEKLY] in Chinese 29 Jun 86 p 3

[Article by Qin Zongwen [2953 1350 2429]: "Concrete Analyses Should Be Made of Foreign Partners in Joint-Venture Enterprises"]

[Text] Chinese-foreign joint capital ventures are characterized by the fact that both Chinese and foreign parties involved invest. Generally, the non-Chinese partner is a foreigner. In such circumstances, the term "Chinese-foreign joint venture" matches the reality. However, now that such ventures are greatly developing, the real situation is often much more complex and specific cases must be analyzed.

A. Investments from foreign governments or organizations and private individuals should be distinguished from each other. In setting up laws governing joint ventures, all foreign juridical persons should be treated equally. In policy, while implementing specific legal provisions and measures, distinctions should be made. For example, distinctions should be made between investments by foreign governments and private individuals; between investments from a foreign company and an international, interregional transnational corporation; between the investments from a company from a single country and UN organizations and the World Bank.

B. Distinctions should be made between investment from foreigners and overseas Chinese. When China's millions of overseas nationals scattered throughout all nations and regions of the world return to the homeland to invest, their capital can be said to be foreign. But it is not the capital of foreigners. In the broadest sense, it is reasonable to include their joint-capital enterprises as part of the scope of Chinese-foreign joint ventures. However, the difference between the two should not be erased. Favorable treatment of returning overseas Chinese investors has always been a part of China's policy. This should be strongly reflected in the creation and improvement policy regarding Chinese-foreign joint-capital enterprises.

3. Distinctions should be made between investments from Hong Kong, Macao, and Taiwan compatriots and foreigners and overseas Chinese. Hong Kong, Macao, and Taiwan are part of Chinese territory and compatriots from these regions have resided for a long time on Chinese territory. They are neither foreigners, nor are they overseas Chinese. Therefore, a distinction should be made between their investments in the mainland and those of foreigners and overseas Chinese.

In summation, capital invested in joint ventures originating outside of China can be divided into the following three sectors: 1) investments of foreigners; 2) investments of overseas Chinese; 3) investments of Hong Kong, Macao, and Taiwan compatriots. While conducting theoretical research on the concept of Chinese-foreign joint ventures, different opinions should be permitted regarding the intensive and extensive definitions involved and debate among the 100 schools should be encouraged. In order to implement in practice the policy of equal treatment while recognizing distinctions, our legislative organs and governmental organizations should stipulate specific regulations based on an inquiry into the facts in this regard. Some people feel that affording preferential treatment to overseas Chinese, Hong Kong, Macao, and Taiwan investors is easier said than done. If a poor job is done of it, some people will exploit advantages. Therefore, generalized, rather than detailed, law's concerning joint ventures should be made. I believe that the laws should be a bit on the vague side, but not so vague that no distinctions are made among the foreign partners in joint ventures. In practice, we could and should draw up principled, generalized regulations concerning law and policy, and the later make more careful distinctions by the stipulation and implementation of detailed rules and regulations. While we still lack experience in this regard, it is inevitable that some people will exploit their advantages. We should not reject the whole thing for fear of slight risks.

12221/12624

CSO: 4006/1211

FOREIGN TRADE AND INVESTMENT

RENMIN RIBAO REVIEWS JOINT VENTURES EXPERIENCE

OW290751 Beijing XINHUA in English 0637 GMT 29 Aug 86

[Text] Beijing, August 29 (XINHUA)--An article in today's PEOPLE'S DAILY calls for helping Sino-foreign joint ventures succeed and for learning from the country's experience with them over the last five years.

The article, by Ji Chongwei, a leading economist, says most of the several thousand joint ventures begun since 1980 have been successful for Chinese and foreign partners. During the period, he says, the investment climate in China has "greatly improved," and foreign investment should continue to grow in the foreseeable future.

The joint ventures "conform to the objectives of China's national economic construction," writes Ji, of the research center for economic, technological and social development of the State Council.

For that reason, he says, workers in joint ventures should "protect and support" the Sino-foreign enterprises just as they would those owned by the people of China.

Ji says all partners in joint ventures should be "sincere," but he asks Chinese partners in joint ventures to be "moderate and flexible" and to "make necessary compromises" with foreigners.

He also says joint ventures should be run according to China's evolving managerial responsibility system, which gives general managers of enterprises authority over day-to-day decisions.

Boards of directors of joint ventures should be chaired by people with "strategic vision" and competence relevant to the venture's business, says Ji, who advises against allowing government officials to chair joint venture boards.

When disputes arise over contractual ambiguities or unanticipated problems, partners in joint ventures should settle them "reasonably, taking each other's interests into account."

On the government's part, he says, the State Council has begun pressing departments to solve joint ventures' problems in such areas as foreign exchange, supplies of raw materials and import and export.

Ji urges government departments to "recognize more fully the importance of Sino-foreign ventures," and he calls on them to enforce laws and policies that will help the joint ventures survive, such as the ban on arbitrarily charging them extra fees.

To accomplish this, he suggests naming an appropriate department to be coordinator of agencies involved with joint ventures.

Ji also advises respecting the autonomy of businesses involving foreigners.

"Appropriate authorities should guard against interfering in the affairs of joint ventures," he says, "just as they should guard against being indifferent to their difficulties."

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CSO: 4020/438

FOREIGN TRADE AND INVESTMENT

INCREASE IN HEILONGJIANG'S TEXTILE EXPORTS

Harbin HEILONGJIANG RIBAO in Chinese 7 Apr 86 p 1

[Article by Liu Chengrong [0491 2052 2837] "Heilongjiang Made Fine Start in Textile Exports"]

[Text] Heilongjiang's textile trade has made great efforts to increase its foreign exchange earnings. In the first 2 months of this year, the value of its export products already reached 37 million yuan, 48 percent higher than in the same period last year.

In the past 2 years, the number of textile enterprises producing for exports in the province increased from some 20 to more than 30. The provincial authorities granted tax reduction and exemption for some of the textile products for exports, while the relevant departments invested nearly 100 million yuan in the technical transformation of some large enterprises, including the Harbin Flax Mill, the Fulaerki Textile Dyeing and Printing Plant, the Mudanjiang Textile Mill, and the Jiamusi Textile Dyeing and Printing Plant, in order to make their products more competitive. The provincial foreign trade department, the Provincial Textile Industry Corporation, and some other departments cooperated closely in coordinating the production and marketing plans and solving the problems with raw materials and technology in order to increase their foreign exchange earning capacity. Last year, even though the international market for textile products was very slack, Heilongjiang was still able to export 110 types of textile products, an increase of 32 over the previous year, and the total output value reached 182 million yuan, an increase of 2 million yuan over the previous year. On the completion of the first stage of technical transformation, the export value of fine flax fabrics and flax canvass of the Harbin Flax Mill accounted for more than 90 percent of its total output value and 25 percent of the total value of textile exports in the province. In the first few months of this year, the volume of exports again increased 50 percent over the same period last year. In the same months, the total export value of the Fulaerki Textile Dyeing and Printing Plant, the Qiqihar Textile Mill, and the Mudanjiang Textile Mill accounted for 50 percent of their total output value. After the solution of its problem with electricity supply for production by the relevant departments, the Mudanjiang Textile Mill produced 30,000 bales of yarn, an increase of 13,000 bales over last year, for exports. The Mudanjiang Woolen Blanket Plant, which was put into operation last year, produced 50,000

acrylic fiber blankets in the same year. This year, it has already fulfilled the export procurement plan for 50,000 of the same blankets. Another 3,000 of special specifications will be delivered in March.

All the textile enterprises have strengthened their management to ensure the good quality of their export products, and won a good reputation among its foreign customers. In the textile industry, the present supply of fine flax fabrics and pure jacquard woolen blankets is short of the demand. Various types of pure cotton and polyester/cotton fine yarn and fine fabrics are being sold in Japan, Southeast Asia, Hong Kong and some 30 other countries and regions, and some of them are sold in the United States, Italy, Canada and other overseas markets.

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FOREIGN TRADE AND INVESTMENT

CHINA DAILY COMMENTARY ON INVESTMENT CLIMATE

HK250234 Beijing CHINA DAILY in English 25 Aug 86 p 4

[Commentator's article: "Investment Climate"]

[Text] Foreign investors in China are said to be woebegone after running into one frustration after another. The issue has appeared in the foreign press. And use of foreign capital, as an integral part of the nation's open policy, has always been a focus of attention of the Chinese press.

Doubts about foreign investment in China generally fall into two categories--whether the country will stick to its current course and whether the technical problems can be solved to the satisfaction of both sides.

Noteworthy is the fact that last Thursday, during his trip to Tianjin, the third largest industrial city of the country, senior statesman Deng Xiaoping once again reaffirmed the open policy.

Despite all the ups and downs, the truth is that China remains firmly open to the rest of the world, so open that it is happy to multiply its financial ties abroad. Beyond that, there are ample signs that national leadership is prepared to seriously tackle any technical problems arising in the course.

One encouraging sign is the effort by both China and its foreign partners to take stock of the situation and look for ways to ease tensions.

Premier Zhao Ziyang recently pledged to guests from Western industrial and financial firms that China does intend to absorb more capital from abroad. He indicated, when he made the statement, more preferential treatment for foreign investors to broaden their competitive edge in China.

Eager to honour its credibility in the world market, China will certainly put some new measures into practice in this area, particularly to pave the way for the smooth development of Chinese-foreign joint ventures.

Government officials are now working on new plans to meet changing realities. Those plans will eventually institutionalize the nation's policies towards foreign investment.

Besides reports from Tianjin about the port city's preliminary success in attracting foreign capital, there is also good news from other places. Indeed, it would be wrong to conclude that all joint ventures in China are suffering.

Some of them, such as all 64 joint ventures in Tianjin, have reported a surplus in balance of foreign exchange payments. Others are devising their own ways to get around the nation's foreign exchange shortage by reinvesting a share of their profits or helping its exports.

The big picture seems to indicate that business is not a one-way street for either side. The Chinese are not merely a passive receiver of foreign capital. They are also reforming their own economic structure in order to create a better investment climate. And foreigners may not only invest, but also may help the nation develop its potential to accommodate more investment from abroad in the future.

In the last analysis, the issue is quite simple. Joint ventures are new to China. The country needs time to gain experience and develop procedures for cooperating with foreign partners. And the joint ventures need to adjust themselves to the domestic and world economies. All this transition is natural.

The real test is whether problems can be handled in a timely and effective manner when they crop up. If so, the economy can be deemed basically healthy. And it is reasonable to believe that the problems will not remain for long.

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BRIEFS

SHAANXI'S AVIATION TECHNOLOGY FAIR--The "China Shenzhen Technology Fair," scheduled to be opened on 10 April, will be the first large fair held in China mainly for the purpose of exporting military and civilian technology. A total of 52 aviation products and technologies of 5 national defense industry enterprises and colleges will be displayed to foreign traders at this fair. Among them are the Yun-7-100 aircraft trial-manufactured by the Xian Aircraft Manufacture Company, the large aerial sight-seeing cars, the antenna reflecting panel, the treble-use coating machine, the D-4 multipurpose pilotless aircraft trial-manufactured Xibei [Northwest] Industrial University, the Model SCY-2 digital magnetic stress device, and the rare earth permanent magnetic electrical appliances. Some of them are Chinese inventions and some others are up to advanced foreign standards. [By Tian Baocheng [3944 0202 2052] [Text] [Xian SHAANXI RIBAO in Chinese 5 Apr 86 p 1] 9411

SINO-HUNGARIAN TRADE POTENTIAL--According to Commercial Counselor Sushiki [phonetic] of Hungarian Embassy in China, trade between China and Hungary has developed very rapidly in recent years, and the trade volume this year may reach 747 million Swiss Francs, a 9-fold increase over 1981 (38 million Swiss Francs). There is potential for further trade development between the two countries. This was what Sushiki said at a press interview after the opening of the Hungarian machinery exhibition held in Beijing. According to him, Hungary has held many large exhibitions in Beijing since 1955, and this was the largest since 1984. Its purpose is to explore the possibility of a market for Hungarian machinery and further cooperative production in China. He continued: Despite the rapid development of trade between the two countries, there is still good potential for further development. Now, we have trade relations with only a few provinces. The main way to develop the trade relations between the two countries is to increase trading with the provinces. Hungary's leading trade partners now are the Soviet Union, East Germany and Czechoslovakia. Hungary hopes to develop trade with China on a barter basis. [By Chen Zeping [7115 0463 1627] [Text] [Beijing GUOJI SHANGBAO in Chinese 31 Mar 86 p 1] 9411

SHANGHAI'S FIRST-QUARTER EXPORTS--With the cooperation of the industrial and other departments, Shanghai's foreign trade department has made every effort to increase its foreign exchange earnings since early this year. By the end of March, the municipality's volume of exports had already reached \$770 million, a 8.5 percent increased over the same period last year. According to statistics, the foreign trade units with fairly good performance in exports during the first quarter were the import-export branch companies dealing in tobacco, pharmaceutical, arts and crafts, silk, metal, textile, garments and light industrial products. The branch companies engaged in garments and light industrial products increased their exports 30 percent and 65 percent over the same period last year respectively. [By He Yue [4421 2588] [Text] [Shanghai WEN HUI BAO in Chinese 9 Apr 86 p 1] 9411

SHAANXI EXPORT EXHIBITION--An exhibition of the province's new exports opened at the provincial foreign trade building yesterday. Provincial CPC Committee Secretary Bai Jinian, Governor Li Qingwei, Zhang Ze, chairman of the provincial advisory commission, and Vice Governor Zhang Bin attended the opening ceremony. Bai Jinian and Li Qingwei cut the ribbon for the exhibition. The exhibition is sponsored by all provincial departments and bureaus and all provincial foreign trade companies at the request of the provincial foreign trade and economics committee. Some 1,100 kinds of new products from 136 factories and plants in the province are displayed at the exhibition hall. This indicates that the province has upgraded its ability to process new products. [Text] [Xian Shaanxi Provincial Service in Mandarin 2330 GMT 14 Aug 86 HK] /6662

XINJIANG-SOVIET CENTRAL ASIA TRADE--Several border trade contracts were recently signed during trade talks between the Xinjiang Uygur Autonomous Region Trading Organization and the V/O Dalintorg (All-Union Far East Trading Organization) in Alma Ata, the capital of Soviet Kazakhstan. Border trade between Heilongjiang, Inner Mongolia and the Soviet Far East resumed in 1983 after having been suspended for many years and Xinjiang and Soviet Central Asia are about to resume border trade. The following five republics, Kazakhstan, Uzbekistan, Kirgizia, Turkmenistan and Tadzhikistan as well as the R.S.F.S.R. (Russian Soviet Federative Socialist Republic) are slated to begin exchanging commodities with Xinjiang. As these trade talks in Alma Ata convened, both sides exhibited samples of their export commodities. [Excerpt] (Taiyuan SHANXI RIBAO 30 Aug 86 p 3)

SINO-JAPANESE COMPENSATION TRADE--Japan's Mitsui & Co., Ltd is embarking on a compensation trade deal with China for the production of construction valves and joints. Manufacturing plants will be built in China on a joint-venture basis, with Japan then exporting the finished products to the United States, etc., in return for supplying China with the equipment and raw materials. Negotiations are already underway with various Japanese valve and joint makers regarding production of such in China. The idea is for Japan to take about one-third of the products from these joint-venture plants, with some of the valves then being imported to Japan, and all the joints being exorted to the United States. Traditionally, the United States has relied on Japan- and Taiwan-made construction valves and joints because of their quality and cost-competitiveness. However, with the strong yen, the Japanese products have lost this edge, so dealing in Chinese-made products--which will be able to maintain their cost-competitiveness--is one way of coping with the situation. [Excerpt] (Tokyo NIKKEI SANGYO SHIMBUN in Japanese 23 Aug 86 p 3)

BOC LOANS TO FOREIGN INVESTORS--Qinhuangdao, August 10 (XINHUA)--The Shenzhen branch of the Bank of China [BOC] provided loans amounting to 15.73 million U.S. dollars in foreign exchange and 31.25 million yuan renminbi to enterprises with foreign investment in the Shenzhen Special Economic Zone in the first six months of this year, according to a meeting here today. Over the past three years beginning from 1983, the bank subsidiary has provided a total of 112.72 million U.S. dollars of foreign exchange loans and 310.61 million yuan of renminbi loans to such enterprises. Apart from credit loans, the branch also issues mortgage loans, operating fund loans and fixed asset loans as well as development loans. The branch has the authority to adjust the interest rates of loans to foreign investment enterprises. The branch has also cooperated with banks in Hong Kong, either Chinese or foreign, to make use of idle funds on the world monetary market. A representative of the branch attending the meeting told reporters that his branch will provide more loans to productive foreign enterprises that can earn much foreign exchange. He disclosed that his branch will open a new department to engage in foreign exchange trading. In Shenzhen, there are four Chinese banks and branches of 13 foreign banks and 13 Chinese non-banking monetary organizations. [Text] [Beijing XINHUA in English 9614 GMT 10 Aug 86 OW] /6662

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